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PREPARATION OF REPORTS FOR THE FIRST TIME ACCORDING TO INTERNATIONAL STANDARDS OF FINANCIAL REPORTING

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ABSTRACT

Currently, the number of companies is increasing to start preparing reports in accordance with the requirements of the decision PQ-4611 at February 24 2020, "On additional measures for the transition to international standards of financial reporting" of the President of the Republic of Uzbekistan. This decision requires companies to prepare reports based on the norms of several laws and the requirements of report users (banks, stock exchanges, shareholders). Of course, these requirements reflect the importance of the difficulties in preparing reports on the IFRS. The preparation of the first report on the IFRS is a difficult task and requires considerable resources. In order to avoid excessive spending of these financial and moral resources, it is necessary to have sufficient knowledge and practice to prepare a report according to international standards.

Key words: *international financial reporting standards (IFRS), first program, first report, transition date, transformation, conversion, retrospective program, accounting report, accounting policy.*

АННОТАЦИЯ

В настоящее время все большее число компаний приступает к подготовке отчетов по требованиям Постановления Президента Республики Узбекистан от 24 февраля 2020 года № ПП-4611 «О дополнительных мерах по переходу на международные стандарты финансовой отчетности». Это решение требует,

чтобы компании формировали отчетность в соответствии с нормами законодательства ряда стран и требованиями пользователей отчетности (Банки, биржи, акционеры). Поэтому сегодня проблемы подготовки первых отчетов по МСФО показывают свою актуальность и значимость. Подготовка первого отчета по МСФО является сложной задачей и требует больших ресурсов. Осведомленность компаний об основных проблемах первой программы позволяет заранее подготовиться к таким трудностям и снизить затраты на подготовку первых отчетов по МСФО.

Ключевые слова: *международные стандарты финансовой отчетности (МСФО), первая программа, первый отчет, дата перехода, трансформация, преобразование, ретроспективная программа, бухгалтерская отчетность, учетная политика.*

INTRODUCTION.

Currently, the number of companies is increasing to start preparing accounting reports in accordance with International Financial Reporting Standards (IFRS). Companies are based on the requirements of the decision of the President of the Republic of Uzbekistan PQ-4611 dated February 24, 2020 "On additional measures for the transition to international standards of financial reporting". Therefore, at present, the preparation of the first IFRS reports is becoming a topic of the day in the economic environment. The preparation of the first financial statements of the IFRS is a complex task and requires significant resources. [4-7]

Problems with the first use of IFRS can be both methodological and organizational. Methodological difficulties are related to the interpretation and practical application of the requirements of the IAS, a number of transformations, conversions, and retrospective application for the preparation of financial statements under the first IFRS. Organizational problems are related to the formation of the process of preparation and verification of financial statements according to the requirements of the first IFRS, control of the time and quality of preparation of the first IFRS financial statements, and other issues.

ANALYSIS OF LITERATURE ON THE TOPIC. Theoretical and practical problems of the first use of IFRS were discussed by many foreign and local scientists and practitioners, including Ergasheva Sh.T., Ibragimov A.K., Rizayev N.K., Ibragimova I.R., D.E.Norbekov, A.N.Torayev, Sh.Sh.Rahmonov, M.S.Abryutin, M.I.Bakanov, V.V.Bocharov, Yu.F.Brigham, J.A.Bakanov, V.V.Glukhov, A. Damodaran, L.V.Dontsova, B.Zvi, V.V.Kovalev, V.E.Leontiev, N.A.Nikiforova,

N.P.Radkovskaya, G.V.Savitskaya, Yu.A.Sokolov, E.S.Stoyanov, K.Walsh, A.D. Sheremet.[1-2]

Some aspects of the research topic are related to the work of foreign scientists and practitioners in the field of economics, finance, accounting and law, in particular: E.M.Ashmarina, Yu.M.Baturina, N.T.Belukhi, A.B.Vengerov, A.V.Volokitina, E.K.Volchinskaya, I.S.Gurevich, M.Karelina, V.A.Kopilov, I.S.Melyuhin, Yu.A.Nisnevich, D.B.Novikov, Yu.M.Nesterova, M.V.Romanovsky, E.R.Rossinskaya, L.K.Tereshchenko, O.M.Finko, S.G.Chaadaeva, D.V.Ostin, A.E.Sherstobitov, A.Steinher, R.E.Barnetta, H.Gernon and others.[1-3-5]

The method of financial analysis of reports of commercial organizations is reflected in the works of L.T.Gilyarovskaya, O.V.Efimova, V.V.Kovalev, A.D.Sheremet and other scientists. [1-5]

RESEARCH METHODOLOGY. The following methods were used in the research: systematic analysis, deductive and inductive determination, expert assessments and other methods were used.

ANALYSIS AND RESULTS. Planning for the transition to IFRS is essential for using the legal structure of economic groups and their financial information in reporting and recording and disclosure. It is also important to determine the timing of reporting on the IFRS , to clarify the requirements of users of the report to obtain information for the comparative reporting period, and to clarify the requirements for the first reporting period on the IFRS . Often, companies that adopt IFRS for the first time may not have a clear and transparent organizational structure, which makes it difficult to prepare and collect information for summary or consolidation in the first IFRS statements. [1-2-7]

In this case, the management of a company adopting IFRS for the first time is advised to analyze the existing organizational structure of the group for its transparency before preparing the first IFRS statements. A first-time adopter of IFRS should be prepared to disclose this structure to users of IFRS reports, including external users.

It is important to consider the timing of the first report, which may be set by users of the first report, such as banks and stock exchanges. [3] It is also important to plan the financial resources required to prepare the first IFRS reports. As a result of the planning of financial resources, the sources of financing for the preparation of the first IFRS report should be budgeted.

There are two main methods of reporting in accordance with the IFRS: adjustment of national reports (change or transformation) and parallel accounting (conversion) and reporting based on its data. Change or transformation of accounting (financial) statements is the process of preparation of financial statements in accordance with the

IFRS by rearranging accounting information and adjusting reporting items prepared in accordance with the rules of the national accounting system. [5-7] Prepared accounting reports based on national standards (NAS) and balance sheet items and reports on financial results, analytical transcripts are used to modify the financial statements. It is carried out by carrying out appropriate adjustments and additional operations to bring assets, liabilities and capital to the amount that should be reflected in the IFRS. The choice of the methodology for converting national financial reports into reports that comply with the IFRS in each case is influenced by the specific features of financial and economic activity, the specific features of the organization of accounting and accounting policies, the availability of time, financial resources and qualified personnel in this area.

The conversion process (parallel accounting method) requires the formation of accounting data in two financial reporting systems or the adjustment of the software so that it allows the formation of two types of reports: in IFRS and NAS format. Compared to transformation, this method of reporting is more reliable and fast, but requires high costs associated with large time costs and high requirements for personnel skills. In order to maintain parallel accounting, there should be two accounting departments or the same accountants should do double work: keeping accounting and reporting on IFRS and NAS.

There is an intermediate automation option (between transformation and parallel accounting) for preparing the IFRS report - the translation method. Data translation is the organization of accounting on the IFRS, which is carried out in a separate database.[5] Accounting of economic transactions is carried out in one database in accordance with national standards (source database), then each transaction is transferred (translated) to the database of IFRS (receiver database). Automatic data translation is carried out on the basis of the correspondence table of national accounting accounts and international accounting accounts.

The choice of the method of preparation of the IFRS report depends on the purposes of its further use, the necessary combination, the qualifications of specialists, time and financial costs. The high cost of parallel accounting led to the most widespread use of the transformation method in Uzbekistan.

Transferring national accounting reports to an international format is a very complicated process that requires particularly high professionalism from accounting staff.

A good knowledge of international standards in accounting for assets, liabilities and capital is required to implement the reporting change.

Unlike conversion, transformation is a periodic process rather than a regular one. Transformation includes preparatory, basic and technical stages.

The preparation stage includes the following operations:

- development of an accounting policy in accordance with the IFRS in order to maximize the approximation of accounting policies of NAS and IFRS in order to reduce the inconsistency of accounting items during the change;

- preparation of the preliminary balance sheet in accordance with the requirements of IFRS-1 ;

- selection of valuation currency and reporting currency;

- analyzing the corporate structure of the company to determine the subsidiaries and affiliates that should be included in the financial statements for the preparation of consolidated financial statements according to the IFRS;

- calculation of opening balances as a basis for transformation;

- analysis of all operations of the company to identify differences in the accounting of objects in accordance with national and international standards, as well as to collect information necessary for the calculation of transformational adjustments;

- development of the IFRS accounting table on compliance of the national accounting table with the IFRS accounting table;

- development of a transformational model, that is, a system of transformational tables that allows the use of corrective operations to recalculate reporting positions;

- preparation of accounting records for reclassification of accounts and transfer from Uzbek to international table of accounts.

The main stage of transformation includes:

- Search and identify differences in approaches to accounting and reporting on IFRS and NAS;

- preparation of adjustment records based on existing differences in accounting.

The technical stage of transformation includes:

- preparation of transformation records;

- preparation of corrective operations;

- create a working transformation table;

- filling out report forms according to the IFRS format.

To date, there is no single algorithm for changing financial statements, and each case requires an individual approach. This is because the reporting process is affected by many subjective factors, including: specific features of financial and economic activities, specific features of the accounting organization and applied accounting policy, necessary details of the report, availability of time, financial and human resources, etc. , there are currently a number of approaches to transformation.

The expert who transforms the report has the right to independently determine the transformation methodology and stages for the report of each specific organization.

When changing a financial statement, it is necessary to comply with the requirements of International Financial Reporting Standards (IFRS) No.1 "First-time Adoption of International Financial Reporting Standards", which includes instructions on the features of the initial transfer of the report from the national accounting system to the IFRS. However, compliance with the terms of this standard leads to the need to apply transformation methods, as it requires recalculation of financial statements for the previous period.

The date of transition to IFRS is the beginning of the initial period for which a company presents complete comparative information in accordance with IFRS.

This standard is applied in cases where the organization has switched to preparing its financial statements in accordance with IFRS for the first time. The main requirement of the standard is that a company must prepare a preliminary balance sheet in accordance with IFRS when transitioning to IFRS, which will be the starting point for preparing financial statements in accordance with IFRS.

In accordance with the requirements of IFRS No.1, the company:

- recognition of all assets and liabilities in accordance with the requirements of the IFRS;
- non-recognition of balance sheet items as assets or liabilities if the IFRS does not allow such recognition;
- reclassification of items recognized as assets, liabilities or capital in accordance with previously applied national accounting rules;
- assess all recognized assets and liabilities in accordance with the IFRS.

In order to comply with these requirements, the company must use the same accounting policy for all periods presented in its opening balance sheet and the first financial statement.

The first financial report of the enterprise according to the IFRS must contain the following:

- to the principle of reconciling the capital reflected in the report with the capital in accordance with the International Financial Reporting Standards on the date of transition to international standards in accordance with the previous generally accepted accounting principles and on the date of the end of the last period presented in the last annual financial report of the enterprise;
- reconciliation of total comprehensive income for the most recent period of the enterprise's most recent annual financial report. The starting point for such reconciliation shall be the total comprehensive income for the same period in

accordance with the previous generally accepted accounting principles or, if the company does not reflect this figure, the profit or loss in accordance with the previous generally accepted accounting principles;

- reconciliation of recognized impairment losses, if any.

If an entity uses a fair value measure as a notional starting value for property, plant, and equipment, investment property, or intangible assets in its initial IFRS statement of financial position, the entity's initial IFRS financial statements must disclose the following information for each individual item:

- amount of fair values;
- the amount of adjustments to the balance sheet values reflected in the report according to the previous generally accepted accounting principles.

An important question in the preparation of the first IFRS report is the choice of the method of preparation of the first report - whether to be carried out by our own department or by external IFRS consultants. When creating the IFRS department, it is necessary to determine what place this department occupies in the company. Ideally, this department should report directly to the financial director. This allows for independence in relation to this department, which is important in expressing the professional opinion of the specialists of the IFRS.

The preparation of the first IFRS financial statements implies the active interaction of various services of the company group (for example, the IFRS department with other departments and services), therefore it is important to coordinate the interaction of all services of the company group.

In order to control the deadlines for the submission of information on requests for the preparation of the first report, it is necessary to create a regulation detailing the procedure for the submission of information for the first report, the content of the submitted information and the responsibilities of the executives in the various departments. Disqualification of the work flow between the main department and divisions of the company can help to create a work flow scheme for the formation of the first report on IFRS. The main divisions of the company, information exchange schemes between divisions, deadlines for providing this information, responsible executives for each division should be graphically presented in the document circulation scheme. One of the important and necessary aspects of the preparation of the first report on IFRS is the development of accounting policies. The accounting policy is necessary in the formation of the first reports by all methods (transformation, parallel accounting, translation) .

Most of the methodological problems arise in the preparation of the introductory statement of financial position at the date of transition to IFRS. This is due to the need

to calculate many corrections to enter the data of the previous accounting system into the IFRS.

The greatest difficulties arise in the calculation of adjustments made to the financing of leases, in the calculation of provisions for doubtful debts from the date of transition to IFRS, in the reflection of long-term receivables and other debts in the discounted valuation.

Also, a large amount of data needs to be processed when forming explanations on fixed assets and intangible assets at the date of transition to the IFRS. From the date of transfer to the reporting date to the reporting date, there may be difficulties in testing the results of impairment of fixed assets and intangible assets, reflection of purchased securities and changes in their value in financial statements.[2]

Difficulties in carrying out impairment tests for fixed assets and intangible assets are related to the selection of the discount rate for calculating the discounted cash flows for the cash-generating unit. In the practice of preparing the financial statements of the first IFRS, the rate calculated on the basis of the weighted average cost of capital, the average rate on long-term loans and borrowings involved can be used to calculate the impairment loss.

The weighted average interest rate on debt funds is calculated on the basis of the interest rate under the contract and the share of the balance of the obligation under this contract on the reporting date in the total amount of liabilities on debt funds as of the reporting date.

The weighted average cost of capital is calculated based on the average cost of attracting debt funds to the group of companies, as well as the cost of the company's capital.

The cost of debt funds and the cost of capital must be multiplied by the share of debt and equity in the total amount of funds used for the operation of the group of companies. When calculating the cost of capital, the risk-free rate of return on deposits available in the market, the premium of investors for the risk of investing in a group of companies, and adjustment coefficients should be taken into account.

One of the first financial statement adjustments that first-time IFRS adopters have many questions about is the deferred tax adjustment. In order to calculate this adjustment, it is necessary to prepare a tax balance sheet for IFRS and compare its data with the statement of financial position for IFRS. IFRS uses the balance sheet approach to calculate deferred tax adjustments, while we use the statement of financial performance method.

The difference between the two methods of calculating deferred taxes is not always clear to NAS and accounting specialists for tax calculations, as a result of which

it can be difficult to get the tax balance on the day of transition to IFRS , as well as explanations to it.

Difficulties in preparing the first IFRS statements may also arise in reconciling intra-group turnover and balances at the date of transition to IFRS for comparative and reporting periods. Possible problems in the reconciliation of turnover and balance sheets within the group include the presence of shares, fixed assets, large amounts of cash, and the calculation and elimination of unrealized profits on reserves in transit between group companies. Reconciliation of turnover and balances within the group may cause problems due to the presence of documents that have not been executed by one of the group companies on the reporting date.

Before directly reconciling the turnover and balances in the first IFRS report, it is necessary to reconcile the accounts between the group companies according to NAS standards and sign the reconciliation documents between the group companies.

All outstanding intra-group transactions must be completed by calculating additional adjustments. When preparing the first consolidated financial statements under IFRS , it is also important to properly consider the requirements of IFRS-1 on business combination transactions.

CONCLUSIONS AND SUGGESTIONS. In companies that decide to switch to IFRS, the accounting policies of NAS and IFRS can be approximated to reduce the impact on the indicators of the financial statement. This reduces the amount of corrections in the first IFRS report.

Among the main methodological recommendations on the accounting policy for approximation of accounting in IFRS and NAS, the following can be distinguished:

- application of a unified methodology for creating reserves for receivables and loans issued;
- creation of reserves in NAS in accordance with the principles of IFRS;
- regular inventory stock taking, write-off of illiquid reserves;
- creation of a reserve for legal proceedings based on the principles of reserve of IFRS ;
- application of a uniform methodology for creating and restoring a reserve for unused vacations.

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