



## THE ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS IN UZBEKISTAN: A REVIEW OF PROGRESS AND CHALLENGES

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### Abstract

This article presents a comprehensive analysis of international accounting systems in Uzbekistan. The study aims to compare Uzbekistan's accounting practices with international standards, identifying similarities, differences, challenges, and potential areas for improvement. By examining the country's accounting regulations, financial reporting practices, and their alignment with global standards, this research sheds light on Uzbekistan's progress in adopting internationally accepted accounting principles.

**Keywords:** global accounting, IFRS, international taxation, accounting diversity, international accounting education.

### Introduction

Uzbekistan, a Central Asian country, has been undergoing significant economic changes in recent years. As part of its efforts to modernize its economy and attract foreign investment, the country has been adopting international accounting standards. The adoption of these standards is expected to bring greater transparency and consistency to financial reporting in Uzbekistan. This article will explore the background of this transition, the benefits of adopting international accounting standards, and the challenges that Uzbekistan may face in implementing them.

**Background** The introduction provides an overview of Uzbekistan's economic landscape and its relevance in the global business environment. It outlines the importance of accounting standards in facilitating transparency, comparability, and consistency in financial reporting, thereby fostering investor confidence and attracting foreign investment.

**Research Objectives** This section outlines the specific objectives of the study, including comparing Uzbekistan's accounting system with international standards, identifying challenges faced by businesses, and assessing the country's progress towards harmonizing its accounting practices.

Adopting IFRS in Uzbekistan is the improvement of financial reporting transparency, comparability, and reliability. This will help to increase investor confidence and attract foreign investment into the country. Moreover, IFRS adoption will also facilitate cross-border transactions and reduce the cost of capital for Uzbekistan businesses. This is because IFRS is widely recognized and accepted by international investors and regulators, which means that companies that adopt IFRS will be able to access a larger pool of capital and investors. However, the adoption of IFRS in Uzbekistan is not without challenges. One of the

main challenges is the lack of awareness and expertise among accountants and auditors in the country. This means that there will be a need for extensive training and education programs to ensure that professionals are equipped with the necessary skills and knowledge to implement IFRS effectively. Additionally, there may be a need for significant changes to existing accounting systems and processes, which can be costly and time-consuming. To ensure successful adoption, Uzbekistan needs to take a phased approach to implementation. This involves developing a roadmap that outlines the steps required to transition to IFRS, including training programs, changes to accounting systems and processes, and stakeholder engagement. It is also important for Uzbekistan to establish a regulatory framework that supports the adoption of IFRS, including the establishment of an independent accounting standard-setting body.

### **Methods**

**Data Collection** The article details the data collection methods employed, such as conducting interviews with accounting professionals, financial experts, and regulatory authorities. Additionally, it may discuss the use of official documents, accounting guidelines, and financial statements from Uzbekistan's companies for analysis.

**Comparative Analysis Framework** This subsection introduces the IMRAD methodology as the basis for the comparative analysis. It explains how each component of the IMRAD structure will be utilized to present the findings effectively.

### **Discussion**

The adoption of international accounting standards in Uzbekistan is a significant step towards modernizing the country's economy and attracting foreign investment. This transition is expected to bring about greater transparency and consistency in financial reporting, which will help to build confidence among investors and improve the overall business environment in the country.

One of the key benefits of adopting international accounting standards is that it will help to align Uzbekistan's financial reporting practices with those of other countries, making it easier for foreign investors to understand and compare financial information across different markets. This will also make it easier for Uzbek companies to access international capital markets, as they will be able to comply with the same reporting requirements as other companies operating in those markets.

Another benefit of adopting international accounting standards is that it will help to improve the quality of financial reporting in Uzbekistan. By adopting best practices and standards developed by international accounting bodies, Uzbek companies will be able to produce more accurate and reliable financial statements, which will help to build trust among investors and other stakeholders.

However, there are also challenges that Uzbekistan may face in implementing international accounting standards. One of the main challenges is the lack of experience and expertise among local accountants and auditors in applying these standards. This may require significant training and capacity-building efforts to ensure that local professionals can meet the new reporting requirements.

Another challenge is the need to adapt international accounting standards to the specific needs and characteristics of the Uzbek economy. While these standards are designed to be flexible and adaptable, there may be certain aspects of Uzbekistan's business environment that require additional guidance or interpretation.

Overall, the adoption of international accounting standards in Uzbekistan is a positive development that is expected to bring about significant benefits for the country's economy. However, it will require careful planning and implementation to ensure that these standards are applied effectively and in a way that meets the specific needs of Uzbekistan's business community.



**Figure 1. IFRS adoption by region. Source: IFRS Foundation 2019.**

IFRS adoption by region. Source: IFRS Foundation 2019. The IFRS can be defined as a single set of accounting standards that are intended to be consistently and globally applied—that is, to be used by developed, transitional, and emerging economies alike [8]. The IFRS are intended to provide investors and other users of financial statements with the ability to compare the financial performance of publicly listed companies on a like-for-like basis with the companies' international peers. Conceptually speaking, adopting a single set of global accounting standards is undeniably appealing. In theory, global standards would remove the barriers that hinder investors when comparing the accounting information of companies from different nations, while simultaneously reducing the transaction costs for firms [9, 10, 11]. Empirical studies have confirmed that IFRS adoption has (to a certain degree) increased the compatibility of financial statements across national borders, and that the IFRS have achieved many of the goals they were intended to reach [1, 7, 12, 13]. However, despite the economic benefits of the IFRS and their apparent support by the great majority of countries, research has shown that national IFRS adoptions are difficult and problematic [14, 15, 16]. One major issue is that countries do not adopt IFRS to the same extent. Nobes and Zeff [17] show that some countries adopt the IFRS as issued by the IASB, while others claim that their own national GAAP are “based on” or “similar to” the IFRS—when, in fact, large differences remain. According to an extensive report compiled by

Deloitte [18], it is also common for countries to claim that they have “adopted” the IFRS while choosing to deviate or not to include certain provisions from the IFRS as issued by the IASB. In addition, despite the great number of countries that have adopted IFRS, the three largest economies in the world—the United States, China, and Japan—have not yet fully accepted the IFRS into their national reporting standards, even for listed companies [6]. Thus, it is debatable whether international accounting harmonization is indeed as successful as it seems to be; in fact, it may be just a veneer over continued national differences [15]. Users of financial information should be aware that IFRS do not necessarily carry the same implications throughout the world [16], despite the IASB’s intentions. Some scholars warn that, if the IFRS are not adopted to the same extent around the world, the central purpose of international standards will be compromised, as foreign investors will be unable to be confident when reading financial statements [15, 17]. Uneven IFRS adoption could even be harmful to investors who believe that accounting standards have been converged worldwide—when, in fact, financial reporting differences continue to exist across national borders while being covered under the façade of the IFRS.

## **Results**

**Regulatory Framework and Convergence** The results section evaluates Uzbekistan's accounting regulations, exploring the extent to which they align with international accounting standards (e.g., IFRS - International Financial Reporting Standards). This part highlights the areas of convergence and divergence, discussing the implications for investors and businesses operating in the country.

**Financial Reporting Practices** This subsection analyzes the prevalent financial reporting practices in Uzbekistan's corporate sector. It examines issues related to disclosure, transparency, and adherence to recognized accounting principles.

**Challenges and Obstacles** The article identifies the challenges faced by Uzbekistan in adopting and implementing international accounting standards. These challenges could include institutional barriers, lack of technical expertise, and resistance from stakeholders.

**Progress and Developments** The discussion section critically analyzes Uzbekistan's efforts in harmonizing its accounting system with international standards. It highlights any significant progress made and discusses the driving factors behind such advancements.

**Recommendations** Based on the findings, this section proposes recommendations to enhance Uzbekistan's adoption of international accounting standards. Suggestions may include policy changes, capacity-building measures, and stakeholder engagement strategies.

**Implications for Businesses and Investors** The article concludes by discussing the implications of the research findings for businesses operating in Uzbekistan and foreign investors seeking opportunities in the country. It emphasizes the potential benefits of aligning accounting practices with global standards and the role of transparent financial reporting in fostering economic growth.

The methodology for the adoption of international accounting standards in Uzbekistan involves several key steps. The first step is to establish a regulatory framework that supports the adoption of IFRS, including the establishment of an independent accounting standard-setting body. This body will be responsible for developing and issuing accounting standards that are in line with international best practices.

The second step is to conduct a comprehensive assessment of the current state of accounting practices in Uzbekistan. This assessment will help to identify any gaps or

deficiencies in current accounting systems and processes, as well as the level of awareness and expertise among accountants and auditors in the country.

Based on the findings of the assessment, the next step is to develop a roadmap for the adoption of IFRS. This roadmap should outline the steps required to transition to IFRS, including training programs, changes to accounting systems and processes, and stakeholder engagement. The roadmap should also include a timeline for implementation and milestones for monitoring progress.

The fourth step is to provide extensive training and education programs for accountants and auditors in Uzbekistan. This training should focus on developing the necessary skills and knowledge to implement IFRS effectively. It should also include training on changes to accounting systems and processes.

The final step is to monitor and evaluate the implementation of IFRS in Uzbekistan. This involves regular reviews of financial statements prepared under IFRS, as well as ongoing training and support for accountants and auditors.

Overall, the methodology for the adoption of international accounting standards in Uzbekistan requires a comprehensive approach that involves regulatory reform, stakeholder engagement, training and education, and ongoing monitoring and evaluation. By following this methodology, Uzbekistan can successfully adopt IFRS and reap the benefits of improved financial reporting transparency, comparability, and reliability.

### **Conclusion**

In conclusion, the adoption of the international accounting system in Uzbekistan is a significant step towards modernizing the country's accounting practices and aligning them with global standards. The implementation of IFRS will enhance transparency, comparability, and reliability of financial reporting, thereby improving the investment climate and facilitating cross-border transactions. However, the successful adoption of IFRS requires a comprehensive approach that includes updating the legal framework, providing training and education to accountants, and promoting awareness among stakeholders. The Uzbek government's commitment to adopting IFRS is a positive development that will contribute to the country's economic growth and integration into the global economy.

Furthermore, the adoption of IFRS will also enable Uzbek companies to access international capital markets, which can provide them with much-needed funding for expansion and growth. This can lead to increased employment opportunities and higher living standards for the Uzbek people. Moreover, the implementation of IFRS can also help improve corporate governance practices in Uzbekistan. By requiring companies to disclose more information about their financial performance and operations, IFRS can help reduce the risk of fraud and corruption. This can lead to increased investor confidence and a more stable business environment. In summary, the adoption of IFRS in Uzbekistan is a positive step towards modernizing the country's accounting practices and aligning them with global standards. It can improve transparency, comparability, and reliability of financial reporting, facilitate cross-border transactions, and enhance corporate governance practices. However, successful implementation requires a comprehensive approach that includes updating the legal framework, providing training and education to accountants, and promoting awareness among stakeholders. The benefits of adopting IFRS are significant and can contribute to Uzbekistan's economic growth and integration into the global economy.

The conclusion summarizes the key insights from the research and emphasizes the importance of harmonizing Uzbekistan's accounting system with international standards. It calls for collaborative efforts from policymakers, regulatory bodies, businesses, and the accounting community to achieve greater financial transparency and facilitate a conducive investment environment in Uzbekistan.

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