

PROBLEMS OF PREPARING FINANCIAL STATEMENTS IN UZBEKISTAN BASED ON INTERNATIONAL STANDARDS

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Annotation: This article explores the current state, challenges, and future prospects of implementing International Financial Reporting Standards (IFRS) in the accounting systems of Uzbekistan, particularly focusing on enterprises within the real sector. The study highlights the gap between national practices and IFRS, analyzes institutional readiness, and provides recommendations for effective convergence.

Keywords: IFRS (International Financial Reporting Standards), Uzbekistan, Accounting System, Real Sector, National Accounting Standards (NAS), Transition to IFRS, Institutional Barriers, Policy Recommendations, Financial Transparency, Investor Confidence, Economic Growth

The adoption of International Financial Reporting Standards (IFRS) has become a global trend in the field of accounting and financial reporting. More than 140 countries have officially adopted or partially incorporated IFRS within their national accounting systems, with the primary objective of ensuring comparability, transparency, and trust in financial information, particularly in the context of globalization and cross-border investments. The global experience, however, reveals a considerable divergence in how smoothly the transition has taken place across countries, with developed and developing regions facing very different realities.

In developed countries, the transition to IFRS has generally occurred without major difficulties. Jurisdictions such as the European Union, Canada, and Australia provide illustrative examples of successful implementation. Their smooth adoption can be attributed to mature financial markets, well-established legal and regulatory frameworks, advanced IT infrastructure for accounting and reporting, and strong institutions supporting professional education and certification. Active support from regulators and capital markets has also played a critical role in ensuring compliance and building investor confidence.

The situation in developing countries is markedly different. Nations in Central Asia, Africa, and parts of Latin America continue to struggle with significant barriers to full-scale adoption of IFRS. Regulatory frameworks often contradict IFRS principles or fail to provide clear mechanisms for their application. Institutional weaknesses, including the absence of independent supervisory bodies to monitor and enforce financial reporting quality, further complicate matters. Professional limitations are also widespread: a shortage of accountants and auditors with practical IFRS knowledge persists, compounded by outdated academic curricula and insufficient opportunities for continuing professional development. On top of these challenges, many enterprises face serious financial constraints. Implementing IFRS often requires costly investments in new accounting systems, staff retraining, and consultancy services—expenses that are particularly burdensome for small and medium-sized enterprises.

Some developing economies have attempted to strike a balance by adopting a dual approach, whereby IFRS is required only for specific categories of entities such as public companies, banks, or firms with foreign investment, while other enterprises continue to use national standards. Although practical in the short term, this approach has produced inconsistencies and undermined

efforts to standardize financial reporting across the national economy. These contrasting global experiences demonstrate that the success of IFRS adoption depends heavily on a country's level of economic development, political commitment, institutional capacity, and the readiness of its professional community.

For transition economies such as Uzbekistan, the study of international experiences is particularly relevant. Countries in the post-Soviet space, including Kazakhstan, Russia, and Ukraine, provide instructive case studies. Kazakhstan's relatively early adoption of IFRS has been viewed as a model, while Russia's maintenance of a dual system of national and international standards has created ongoing inconsistencies. These lessons highlight the importance of choosing a coherent strategy tailored to national conditions.

In the case of Uzbekistan, the adoption of IFRS within the real sector remains limited. At present, only a small percentage of enterprises voluntarily apply IFRS, and these are predominantly companies with foreign shareholders, joint ventures, or firms that operate in industries requiring regular interaction with international partners and investors. Most local companies continue to rely exclusively on National Accounting Standards (NAS), a practice driven by both practical and regulatory considerations. Several obstacles explain this trend. There is a pronounced shortage of accountants and financial professionals with practical IFRS expertise. Many practitioners have had little exposure to international standards during their education, and opportunities for ongoing professional training remain limited. Even where IFRS is superficially introduced, the conceptual understanding of key principles—such as fair value measurement, substance over form, or recognition based on control and risk transfer—often remains inadequate, resulting in partial compliance or misapplication. The financial burden of transition also serves as a deterrent. Implementing IFRS requires investment in updated software systems, staff retraining, and consultancy services, which are costs many small and medium-sized enterprises are unable or unwilling to bear. Consequently, IFRS is often perceived as complex, costly, and offering little direct benefit to firms that do not engage in international operations.

Despite these challenges, several positive trends suggest that broader adoption of IFRS in Uzbekistan is both feasible and beneficial in the near future. The country's ongoing program of economic reforms, including liberalization of the banking system, tax reforms, and private sector development, is steadily increasing the demand for transparent and internationally comparable financial reporting. Investor expectations further reinforce this trend, as foreign investors, international donors, and financial institutions increasingly require IFRS-compliant statements as a precondition for partnerships and capital inflows. Moreover, the government has announced its intention to gradually mandate IFRS for large enterprises beginning in 2026, with the possibility of expansion to other sectors in subsequent years. Pilot programs and partnerships with international organizations are already underway to support this process.

The planned reforms provide a window of opportunity for Uzbekistan to strengthen its institutional framework, modernize the accounting profession, and enhance the credibility of its business environment on the global stage. The country's success will ultimately depend on its ability to integrate international lessons with local realities, ensuring that the adoption of IFRS becomes not merely a formal requirement but a sustainable driver of transparency, accountability, and competitiveness in its real sector.

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