

IMPROVING FINANCIAL STATEMENT FORMS IN ACCORDANCE WITH INTERNATIONAL STANDARDS

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Abstract: The globalization of business activities and the rapid integration of capital markets have significantly increased the demand for transparent, comparable, and high-quality financial reporting across countries. Investors, creditors, and other stakeholders now rely on financial statements not only to assess past performance but also to evaluate future prospects and risks. In this context, improving the structure and content of financial statement forms in line with International Financial Reporting Standards (IFRS), developed by the IFRS Foundation and issued by the International Accounting Standards Board, has become a strategic priority for many economies. This article explores theoretical and practical aspects of aligning financial statement formats with IFRS requirements. It analyzes key deficiencies commonly observed in traditional, locally oriented reporting systems, such as excessive tax influence, insufficient disclosure, lack of fair value measurements, and limited comparability. The study highlights how these weaknesses reduce the usefulness of financial information for international users and hinder cross-border investment flows. Special attention is given to the modernization of the main components of financial reporting, including the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows. Through practical examples, the paper demonstrates how revised classification, measurement, and presentation approaches improve the reliability and relevance of reported data. It also examines the role of explanatory notes in strengthening transparency, risk assessment, and corporate accountability. Furthermore, the article discusses institutional, methodological, and technological challenges that arise during the transition to IFRS-based reporting forms. These include the need for professional judgment, staff training, updated accounting information systems, and regulatory support. Based on the analysis, the study proposes practical solutions and policy recommendations aimed at facilitating smoother implementation and ensuring consistency in reporting practices. The findings suggest that adopting internationally harmonized financial statement structures significantly enhances the credibility of financial information, increases investment attractiveness, supports effective corporate governance, and improves managerial decision-making. Ultimately, the improvement of financial statement forms in accordance with IFRS contributes not only to individual organizational performance but also to the sustainable development and global integration of national economies.

Key words: financial statements, IFRS, harmonization, reporting quality, accounting reform, transparency

Introduction

In today's interconnected economy, financial information must be understandable and comparable across borders. National accounting systems often differ in structure, terminology, and recognition principles, which reduces the usefulness of financial statements for foreign investors and international partners. To address this issue, standards developed by the IFRS Foundation and issued by the International Accounting Standards Board provide a globally recognized framework for financial reporting. Improving financial statement forms in



accordance with IFRS does not only involve technical adjustments; it also requires conceptual changes in how assets, liabilities, income, and expenses are presented and disclosed. This paper explores how financial reporting forms can be modernized, highlights common implementation problems, and offers practical solutions.

The Need to Improve Financial Statement Forms

Traditional financial statement formats in many countries are primarily rule-based and strongly influenced by tax regulations, which limits their usefulness for broader economic decision-making. Such systems typically prioritize the legal form of transactions rather than their economic substance, meaning that the true financial reality of business activities is not always reflected. In addition, these formats tend to include only minimal disclosure requirements, reducing transparency and leaving users without sufficient information to assess risks, assumptions, and management judgments. Reporting structures are often built around rigid, standardized templates that fail to adapt to the specific nature and complexity of modern business operations. As a result, financial statements prepared under such systems frequently lack comparability with those of international companies, making cross-border analysis and investment decisions more difficult.

This study employs a qualitative research approach that combines several complementary methods to ensure a comprehensive analysis of financial statement form improvements under IFRS. First, a comparative analysis is conducted between traditional national reporting formats and IFRS-based financial statement structures to identify differences in classification, presentation, and disclosure practices. Second, a normative review of relevant IFRS standards—particularly IAS 1, IAS 7, and IAS 16—is undertaken to establish the conceptual and regulatory foundations for improved reporting formats. In addition, case-based illustrations are used to demonstrate how revised measurement and classification principles affect the presentation of financial information in practice. Finally, the study includes an analytical evaluation of implementation challenges derived from real-world transition experiences of organizations adopting IFRS. This integrated methodological framework makes it possible to identify structural weaknesses in existing reporting systems while also determining practical directions for aligning financial statement forms with IFRS requirements.

Key Areas of Improvement

Statement of Financial Position: Under IFRS, assets and liabilities must be classified as current or non-current and measured using appropriate bases such as historical cost or fair value.

Problem: A company reports property at outdated historical cost, significantly understating asset value.

Practical Example: A building purchased for \$100,000 ten years ago has a fair value of \$180,000 today. Local standards keep it at cost minus minimal depreciation = \$90,000.

IFRS Improvement: Using fair value (if revaluation model is applied under IAS 16) increases asset value and equity, providing a more realistic financial position.

Solution: Introduce revaluation models and ensure proper disclosure of valuation methods. Traditional formats often mix operating and non-operating items without clear distinction.

Problem: Foreign exchange losses and core operating expenses are combined, distorting performance analysis.

Practical Example: Operating profit = \$50,000, Foreign exchange loss = \$30,000, Reported profit = \$20,000 (appears as poor operational performance)

IFRS Improvement: Separate finance costs and other gains/losses to show true operating performance.

Solution: The structure of the income statement should be redesigned to ensure clearer presentation of financial performance. Revenue should be reported separately at the top of the statement, followed by operating expenses directly related to core business activities. This allows the calculation and clear display of operating profit, which reflects the results of the entity's



primary operations. Finance income and finance costs should then be presented distinctly to show the effects of financing and investment activities. Finally, profit before tax should be disclosed as a separate subtotal, providing users with a transparent view of overall performance prior to taxation.

Statement of Cash Flows

Many local formats emphasize cash balances but not the source of cash.

Problem: Users cannot distinguish between cash from operations and cash from loans.

Practical Example: Net cash increase = \$100,000, but \$90,000 comes from bank loans, only \$10,000 from operations.

IFRS Improvement: Classify cash flows into operating, investing, and financing activities under IAS 7.

Solution: Adopt indirect or direct method presentation and ensure reconciliation with profit.

Disclosure Notes

IFRS requires extensive notes explaining accounting policies, judgments, and risks.

Problem: Local reports contain minimal notes, limiting transparency.

Improvement: Financial reporting should be strengthened through expanded and more informative disclosure notes. Entities need to clearly describe the accounting policies they apply, enabling users to understand the principles and methods underlying the reported figures. Additional information on fair value measurements should be provided, including valuation techniques, key assumptions, and the level of estimation uncertainty involved. Disclosures related to financial risk management are also essential, explaining exposure to credit, liquidity, and market risks, as well as the strategies used to manage them. Furthermore, transparent reporting of related party transactions should be included to reveal the nature of relationships, transaction amounts, and any outstanding balances, thereby enhancing accountability and reducing the risk of conflicts of interest.

The transition to IFRS-based financial statement forms is often complicated by several organizational and technical barriers. One of the primary difficulties is the shortage of qualified specialists with deep knowledge of IFRS principles and practical application skills. Without adequately trained professionals, companies may struggle to correctly interpret standards and apply professional judgment. Another major obstacle is the use of outdated accounting software that cannot support IFRS-compliant classifications, measurements, and disclosures, making the reporting process inefficient and prone to errors. Resistance to change within organizations also slows implementation, as management and accounting staff may be accustomed to traditional rule-based systems and reluctant to adopt new approaches. Additionally, many practitioners have limited experience with professional judgment, which is essential under IFRS and differs significantly from strictly rule-driven accounting practices.

Proposed solutions to these challenges include establishing continuous professional development programs to strengthen IFRS expertise among accountants and financial managers. Organizations should modernize their IT infrastructure and accounting systems to ensure compatibility with IFRS reporting requirements and digital reporting tools. It is also important to develop comprehensive internal accounting policies that align with IFRS principles and provide clear methodological guidance for staff. Finally, engaging independent auditors and external consultants with IFRS experience can support the transition process, improve compliance, and enhance the overall quality of financial reporting.

To ensure that financial statement forms fully comply with IFRS principles and meet the needs of international users, several practical measures should be implemented. First, organizations should adopt standardized IFRS-based templates for all primary financial statements. This will promote consistency in structure, terminology, and presentation, making reports easier to understand and compare across entities and countries. Second, fair value measurements should be integrated wherever required by IFRS, particularly for financial



instruments, investment property, and certain non-current assets. Applying appropriate valuation techniques and disclosing underlying assumptions will improve the relevance and reliability of reported figures. Third, financial statement formats should clearly distinguish between operating and non-operating results. Separating core business performance from financing and other peripheral activities allows users to better evaluate an entity's sustainable profitability. Fourth, disclosure notes should be expanded to strengthen transparency. Detailed explanations of accounting policies, estimates, risks, and significant transactions help users interpret the numbers presented in the main statements and assess the entity's financial position more accurately. Fifth, companies should implement digital reporting systems that are compatible with international reporting taxonomies such as XBRL (Xtensible Business Reporting Language). This facilitates automated data processing, improves accessibility for global investors, and supports regulatory oversight. Finally, regular staff training on IFRS updates is essential. Since international standards are periodically revised, continuous professional education ensures that accounting personnel remain competent and that financial statements reflect the most current requirements.

The study reveals that aligning financial statement forms with IFRS requirements leads to significant improvements in the clarity, relevance, and analytical usefulness of financial information. First, restructuring the Statement of Financial Position through proper classification of assets and liabilities into current and non-current categories enhances the assessment of liquidity and financial stability. The introduction of fair value measurements where appropriate further increases the reliability and economic relevance of reported asset values. Second, the improved format of the Statement of Profit or Loss and Other Comprehensive Income, with a clear distinction between operating and non-operating components, provides a more accurate representation of core business performance and supports better evaluation of sustainable profitability. Third, the IFRS-based presentation of the Statement of Cash Flows, which separates operating, investing, and financing activities, allows users to identify the true sources of cash generation and assess the entity's ability to maintain operations without excessive reliance on external funding. Additionally, expanded disclosure requirements significantly reduce information asymmetry by providing detailed explanations of accounting policies, valuation techniques, financial risks, and related party transactions. Overall, the results demonstrate that improved financial statement forms under IFRS enhance transparency, comparability, and decision-usefulness, thereby increasing the confidence of investors and other stakeholders in the reported financial information.

Conclusion

Improving financial statement forms in accordance with IFRS enhances the reliability, transparency, and comparability of financial information. The transition requires not only changes in format but also a shift in accounting philosophy—from rule-based compliance to principle-based professional judgment. Practical application of IFRS-compliant structures leads to better decision-making for investors, creditors, and management. Despite implementation challenges, systematic reforms, education, and technological modernization can ensure successful adoption and long-term benefits for organizations and national economies.

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