



## ADVANTAGES OF TRANSITION TO INTERNATIONAL STANDARDS OF FINANCIAL REPORTING

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**Abstract:** In today's globally integrated economy, transitioning to International Financial Reporting Standards (IFRS) is essential for Uzbekistan's financial sector. This article discusses the importance and benefits of adopting these standards, drawing on international experiences to highlight how aligning national accounting systems with IFRS can improve financial reporting. The advantages include enhanced transparency, economic efficiency, and an improved investment environment.

**Key words:** International Financial Reporting Standards, national accounting standards, financial analysis, economic efficiency, investment environment.

Around the world, public companies are increasingly faced with the challenge of complying with International Financial Reporting Standards (IFRS). The Securities and Exchange Commission (SEC) has outlined a roadmap for IFRS implementation, emphasizing that these global standards aim to improve comparability of financial information and establish a unified system.

### **Why Adopt International Financial Reporting Standards?**

IFRS provides a standardized framework for recording and reporting economic transactions, allowing companies to present financial data that is easily understood by investors, regulators, and other stakeholders. However, the accounting standards established



in different countries can lead to inconsistencies in how the same economic transactions are reported, resulting in variations in financial statements.

Cultural, political, and economic differences contribute to these discrepancies, leading to inconsistent reporting of financial positions across countries. Historically, different standards functioned effectively within individual nations, but globalization has driven the need for a more unified approach. Many U.S. companies, for example, conduct more than half of their business internationally, and the ability to compare financial information across borders has become increasingly important. This has created pressure to adopt consistent global standards, leading to the development of IFRS.

#### Strategies for Improving Financial Reporting

To successfully align national standards with IFRS, countries can adopt the following strategies:

##### **1. Step-by-Step Implementation:**

A gradual approach to adopting international standards allows for a smoother transition. This enables businesses and regulators to adapt to new requirements over time, minimizing disruptions.

Since 1973, companies listed on multiple stock exchanges in different countries had to prepare separate financial statements to comply with each country's standards. To address this, the International Accounting Standards Committee (IASC) was established in 1973 with the goal of creating a single set of reporting standards. By 2001, the IASC was replaced by the International Accounting Standards Board (IASB), which has continued to develop IFRS.

##### **2. Capacity Building:**

Several recent developments have accelerated the adoption of IFRS. For instance, in 2002, European Union (EU) regulations required companies listed on EU stock exchanges to adopt IFRS. In November 2008, the SEC announced a "roadmap" for IFRS adoption,



specifying that by 2011, large companies would be required to prepare financial reports according to these standards. The roadmap emphasized the following key stages:

- Improvement of accounting standards
- Independent funding for the IASB
- Evaluation of the transition process, costs, and acceptance by stakeholders
- Education and training in IFRS standards

For U.S. firms, IFRS adoption offers several benefits, including simplified costs and reduced workloads. This harmonization facilitates comparison, allowing investors to make better-informed decisions without the need for translating different sets of accounting data.

### **3. Stakeholder Engagement:**

Effective adoption of IFRS requires collaboration between businesses, investors, and professional organizations. Streamlining accounting processes under a single standard can simplify credit assessments and enhance transparency. By fostering open communication, stakeholders can build consensus on the benefits of international standards.

Educating accountants, auditors, and regulators is also critical. Investment in training helps ensure that professionals are equipped to use international standards effectively, which can enhance the quality of financial reporting globally.

### **Conclusion**

Global financial markets require high-quality, reliable financial reporting standards. The transition to IFRS is a significant step toward enhancing global economic stability. Countries that adopt these standards can boost investor confidence, attract foreign investments, and support sustainable economic development. Ultimately, this leads to a more integrated and robust global financial system.



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