CENTRAL ASIAN JOURNAL OF INNOVATIONS ON TOURISM MANAGEMENT AND FINANCE

CENTRAL ASIAN STUDIES

https://cajitmf.centralasianstudies.org/index.php/CAJITMF

Volume: 05 Issue: 08 | Desember 2024 ISSN: 2660-454X

Article

Comparison Of Financial Statements Prepared Following IFRS Versus National Accounting Standards

Ergasheva Shakhlo Turgunovna

Tashkent State University of Economics, Head of the Department of General Economic Disciplines, Ph.D. in Economics, Professor

* Correspondence: shahloer@gmail.com

Abstract: This article discusses issues in the development of a common accounting language for businesses in order to better understand financial information. This research paper aims to explore whether there is any difference between the two reporting standards. The study was conducted from 2016 to 2023 for Issiqlik Elektr Stansiyalari JSC. In this research has been examined balance sheet and profit and loss statements in order to evaluate the discrepancy between the two reporting norms using the 1980 Gray Comparability Index (GCI), as well as to study the difference between financial ratios under IFRS and National Accounting Standards.

Keywords: IFRS, National Accounting Standards, Gray's Comparability Index, Financial Coefficients

Citation Ergasheva Shakhlo Turgunovna. Comparison Of Financial Statements Prepared Following IFRS Versus National Accounting Standards:. Central Asian Journal of Innovations on Tourism Management and Finance 2024, 5(8), 570-576.

Received: 10th Sep 2024
Revised: 11th Okt 2024
Accepted: 24th Nov 2024
Published: 07th Des 2024

1. Introduction

Nowadays, IFRS are globally approved standards based on principles. In order to develop a common accounting language for businesses, the idea of IFRS was conceptualized in the European Union. The IASB, in cooperation with the European Union, is working on synchronizing the accounting model in different countries (Rizaev N.K., 2021). To prepare a single set of high-quality, understandable and globally acceptable accounting standards. The IASB reviews the revises and updates current global accounting standards by making changes and giving them new names to IFRS. IFRS is a set of accounting standards that define how specific types of transactions and events should be reflected in financial statements, which ensures an understandable and comparable exchange of financial information across international borders. Currently, 166 countries have either adopted IFRS as they are, or have switched to IFRS (Ibragimov A.K., 2021). IFRS includes:

International Financial Reporting Standards (IFRS) issued after 2001

- International Accounting Standards (IAS) issued before 2001
- The International Committee for the Interpretation of Financial Statements (IFRIC), issued after 2001
- Standing Committee on Interpretation (2001), issued after 2001.

Previously, national enterprises of Uzbekistan, corporations and other legal entities were guided by the National Accounting Standards of the Republic of Uzbekistan (National Accounting Standards of the Republic of Uzbekistan), issued by the Ministry of Economy and Finance of the Republic of Uzbekistan, for the preparation and presentation of their accounting information. This is an accounting system that differs from IFRS in three aspects: fair valuation, the predominance of content over legal form and concentration on the balance sheet (Toshpulatov A.Sh., 2022). Globalization has created a pressing requirement for the implementation of a universal accounting standard, in 1998 Uzbekistan officially chose to adopt IFRS through developing domestic accounting regulations (NSAs), as for Uzbekistan, to approach IFRS instead of fully adopting while maintaining certain deviations from IFRS at a minimum level.

The initial target period was set for April 24, 2015 for phased implementation by Presidential Decree "On Measures to introduce Modern Corporate Governance Methods in Joint-Stock Companies" dated 04/24/2015, No. UP-4720, during 2016-2018, all joint-stock companies switched to publishing annual financial statements and conducting its external audit in accordance with international standards (IFRS).

The legislation provides for further improvement of accounting and financial reporting in commercial banks, bringing them into full compliance with IFRS.

It is clear that the transition from one reporting system to another is associated with a large number of issues and is impossible without a systematic approach and appropriate methodology.

Literature Review

In this study, an attempt was made to analyze individual research works already performed in the field of the existence of this study in order to recognize methodology in the study.

№	Author's name	The author's opinion
1	B.H.Pardaev (2012)	The study examines in detail the reasons for the differences in the financial statements including both the income statement and balance sheet under both systems
2	Costel Istrate (2013)	. In his study, he analyzed the results that the former Belgians, the French and the GAAP of Portugal were more conservative than IFRS.
3	Kozimjonov A. (2020)	It was revealed that the significant impact of IFRS and NSB on accounting indicators and ratios is due to the assessment of fair value, presentation of financial statements, valuation of fixed assets, an event after the reporting period, accounting for leases, recognition of financial instruments and assessment of payments based on a share.
4	Joraev B. (2015)	In most cases, the NBU does not have a significant impact on the income statement and balance sheet compared to IGAAP due to some provisions on reclassification.
5	Khadjimuradov N.Sh. (2019)	In his research, he concluded that the adoption of the National Accounting Standards does not lead to a significant difference in financial ratios due to the insignificant difference between the calculated coefficients in accordance with IFRS and the National Accounting Standards.
6	Ibragimov A.K. (2020)	He stated that ICAI and ASB had done an excellent job in bringing IFRS into line with national standards and developing the National Accounting Standards taking into account national requirements, as well as business conditions. It has been established that there is the smallest difference between the financial information presented in accordance with IFRS. In the case of several indicators, such as current assets, inventories, net sales, there is no difference between both modes

2. Materials and Methods

The study aims to analyze the variances in financial statements that are in line with IFRS.

Sampling method and sampling

JSC Issiqlik Elektr Stansiyalari was chosen for the study intentionally, on the basis of which financial statements in accordance with IFRS and National Accounting Standards are available, for comparative analysis here JSC Issiqlik Elektr Stansiyalari is one of the companies that began to present its financial statements in accordance with IFRS, and also JSC "Issiqlik Elektr Stansiyalari" still.

Study period:

The study covers 6 financial years from 2018-19 to 2021-23.

Data source

The primary focus of the research was to evaluate the variance in financial components, and it was conducted based on this focus solely on secondary data, data for which were extracted from the annual reports of JSC Issiqlik Elektr Stansiyalari.

3. Results

Statistical tools used for data analysis: To analyze the study, we used average, percentage, Gray Comparability Index (GCI). The study mainly concentrated on the level of preparation of financial statements in accordance with IFRS and National Accounting Standards, which can be compared by applying the Gray Conservatism Index, also known as the Gray Comparability Index, is a good tool for assessing differences between two or more sets of accounting standards. The index was proposed by Gray in 1980 in his attempt to find out whether certain nations are more "prudent" than others in terms of accounting practices, this similar index was used (Revanaya Kantaya and Panduranga, 2017)., (Pramanik, 2018) in their comparative study.

Gray's Comparability Index = 1- $\boldsymbol{Financial\ Value\ of\ IFRS{-}Financial\ Value\ of}$ NBU / $\boldsymbol{Financial\ Value\ of\ IFRS}$

To analyze the difference between financial elements prepared in accordance with IFRS and financial elements prepared in accordance with convergent National Accounting Standards, the index shows a value greater than one, which means that financial indicators reflected in accordance with IFRS are less than in accordance with National Accounting Standards, and vice versa, an index that is less than one, this leads to the fact that the financial indicators reflected in accordance with IFRS are larger than the National Accounting Standards, since index=1, this clearly shows, that there is no difference in the reported financial indicators under both modes.

List of variables used for the study

Table 1

List of variables (financial elements and financial coefficient) used in the study

№	Coefficients	Types of ratios	Balance sheet items	Profit and loss statement items
1	Profitability	Return on assets (ROA)	Total assets (TA)	Profit after tax (PAT)
2		Return on equity (ROE)	Total non-current assets (NCA)	Profit before tax (PBT)
3		Gross Profit Ratio (GPR)	The total amount of current assets. (CA)	General expenses

4		Net Profit Ratio (NPR)	Total current liabilities (CL)	Total income
5	Liquidity	Current Ratio (CR)	Total long-term Liabilities (NCL)	
6		Quick Ratio (QR)	Total amount of obligations	
7	Solvency	Debt to Equity Ratio Ratio (DER)	Total capital	
8		Debt ratio (DR)	Total equity and liabilities	
9		Equity ratio (ER)		

Table 2

The annual Gray Comparability Index (GCI) for the main financial elements of the balance sheet

Year	Total Assets	Total NCA	Total CA	Total CL	Total NCL	Total Liabilities	Equity	Total Equity and Liabilities
2018	0.9947	0.9827	1.00	0.9997	0.999	0.9996	0.992	1.00
2019	0.9953	0.9854	1.00	0.9997	0.9991	0.9996	0.9931	1.00
2020	0.9951	0.9854	0.9854	1.006	1.00	0.9994	0.9924	1.00
2021	0.9953	0.9849	1.00	1.00	0.9999	0.9998	0.9931	1.00
2022	0.9948	0.9856	1.00	1.00	0.9999	0.9998	0.9924	1.00
2023	0.9951	0.9866	1.00	1.00	0.9994	0.9999	0.9926	1.00
Note: NCA: Non-Current Assets, CA: Current Assets, CL: Current Liabilities, NCL: Non-Current Liabilities.								

Graphical representation of GCI for financial items in the balance sheet

TOTAL EQUITY AND LIABILITIES	1.00	1.00	1.00	1.00	1.00	1.00
EQUITY	0.992	0.9931	0.9924	0.9931	0.9924	0.9926
TOTAL LIABILITIES	0.9996	0.9996	0.9998	0.9998	0.9998	0.9999
OTAL NCL	0.999	0.9991	0.9994	0.9999	0.9999	0.9994
TOTAL CL	0.9997	0.9997	1.00	1.00	1.00	1.00
TOTAL CA	1.00	1.00	1.006	1.00	1.00	1.00
TOTAL NCA	0.9827	0.9854	0.9854	0.9849	0.9856	0.9866
TOTAL ASSETS	0.9947	0.9953	0.9951	0.9953	0.9948	0.9951

2018
2019
2020
2021
2022
2023

From Table 2 above, we can see that when comparing GCI items on the balance sheet, it was found that total assets, long-term assets, long-term liabilities, total liabilities and total capital of Issiqlik Elektr Stansiyalari JSC exceed one (>1) for all years.

Additionally, it was discovered that current liabilities and current assets are equal to one (=1), indicating that the financial performance of the two regimes is not significantly different. The fact that 2021's current assets were less than one (<1) indicates that the financial value prepared using IFRS is less than that prepared using National Accounting Standards.

Table 3

Wisegrey Annual Comparability Index (GSI) for key financial elements in income statements

Years	PAT	PBT	Total Expenses	Total Income
2018	1,00	1,00	0,99999	0,999602
2019	1,0004	1,0003	0,99999	1,01379
2020	0,9993	0,9995	1,00011	0,99458
2021	1,0001	1,0001	0,99999	1,003403
2022	0,9999	1,0001	0,99999	1,001795
2023	1,0002	1,0002	0,99996	0,999874
Note: PAT: Profit After Tax, PBT: Profit Before Tax				

It is evident from the table that the total expenses in the income statement are lower than one when comparing GCI items (<1) for all years except 2021, which clearly indicates that the financial indicators prepared in accordance with IFRS are higher than those which were prepared in accordance with the National Accounting Standards. On the other hand, the total revenue is less than one (<1) for 2018, 2020 and 2023, which indicates that the financial indicators under IFRS are greater than those under the National Accounting Standards, and for 2019, 2020 and 2021, GCI shows more than one (>1), which states that the values, prepared in accordance with IFRS, less than those specified in accordance with the National Accounting Standards. It was also found that profit before tax (PBT) and profit after tax (PAT) were shown with mixed values, and some GCI values are less than one (<1), which clearly indicates that financial indicators prepared in accordance with IFRS are greater than the value of the National Accounting Standards, and some values are greater than one (>1), which means that the IFRS values are less than the National Accounting Standards, and for 2018 both PAT and PBT, which are equal to one (=1), state that there have been no significant changes in the financial value prepared in accordance with IFRS and National Accounting Standards.

Table 4.

Financial indicators of JSC "Issiqlik Elektr Stansiyalari" according to IFRS and National Accounting Standards

Years	Standards	Profitability				Liquidity		Solvency		
		GPR	ROA	NPR	REO	CR	QR	DER	DR	ER
2018	IFRS	0.27	0.11	0.15	0.16	2.35	2.23	0.51	0.34	0.68
	НСБУ	0.25	0.11	0.15	0.16	2.35	2.23	0.57	0.42	0.73
	Diffs	**0.02**	**0.00**	**-0.01**	**0.00**	**0.00**	**0.00**	**-0.06**	**-0.08**	**-0.05**
2019	IFRS	0.28	0.11	0.14	0.17	2.37	2.35	0.56	0.36	0.63
	НСБУ	0.24	0.11	0.15	0.17	2.37	2.35	0.57	0.36	0.63
	Diffs	**0.04**	**0.04**	**0.00**	**-0.01**	**0.00**	**0.00**	**-0.00**	**0.00**	**0.00**
2020	IFRS	0.29	0.11	0.15	0.16	2.67	2.65	0.46	0.31	0.68
	НСБУ	0.24	0.11	0.15	0.16	2.67	2.65	0.46	0.31	0.68
	Diffs	**0.05**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
2021	IFRS	0.29	0.12	0.16	0.17	2.40	2.39	0.5	0.31	0.68
	НСБУ	0.25	0.12	0.16	0.18	2.40	2.39	0.46	0.31	0.68
	Diffs	**0.04**	**0.04**	**0.00**	**0.00**	**0.00**	**0.00**	**0.04**	**0.00**	**0.00**
2022	IFRS	0.39	0.13	0.22	0.20	2.27	2.27	0.49	0.33	0.66
	НСБУ	0.28	0.13	0.18	0.20	2.27	2.27	0.5	0.33	0.66
	Diffs	**0.11**	**0.00**	**0.04**	**0.00**	**0.00**	**0.00**	**-0.01**	**0.00**	**0.00**
2023	IFRS	0.39	0.39	0.21	0.19	2.01	2.01	0.63	0.38	0.61
	НСБУ	0.24	0.24	0.15	0.19	2.01	2.01	0.39	0.24	0.6
	Diffs	**0.16**	**0.00**	**0.05**	**0.00**	**0.00**	**0.00**	**0.24**	**0.14**	**0.01**

Note: GPR is the gross profit ratio, ROA: return on assets, NPR: net profit ratio, ROE: profitability Capital, CR: current ratio, QR: rapid liquidity ratio, DER: debt to equity ratio, DR: debt ratio, ER:The equity ratio.

Table 4 shows the results of calculating the difference between the financial ratios prepared in accordance with IFRS and IFRS as of December 31, 2023, and notes return on equity, current liquidity ratio and rapid liquidity ratio.

Gross profit and net profit indicators show the smallest difference between IFRS and the National Accounting Standards under IFRS. Meanwhile, solvency metrics such as the debt-to-equity ratio, Debt Ratio, show a slight difference in 2018 and 2023 (DER -0.06, DR -0.08) (DER 0.24, DR 0.14).

4. Discussion

One of the study's findings is that, based on the GCI results, there was a discovery regarding the financial aspects of the balance sheet and income statements that were prepared in accordance with IFRS and NSB, there is the least increase and decrease in differences due to some exceptions made in accordance with NSB, such as revenue recognition, valuation and The recognition of financial instruments, as well as investment properties, as well as the first implementation of IFRS, provide an opportunity to take into account the carrying amount of fixed assets in accordance with the National Accounting Standards, and, most importantly, IFRS are based on principles, while IFRS are based on rules, secondly, it is established that in most cases there are no differences between IFRS and NSB in terms of calculated indicators, with the exception of the gross cost of fixed assets, profit ratio, net profit ratio, debt-to-equity ratio and debt ratio. Finally, the general study shows that there is no difference between financial statements prepared in accordance with IFRS and financial statements under the National Accounting Standards.

5. Conclusion

Taking into account the above-mentioned discussions, the results of the study generally allow us to conclude that there are no such quantitative changes in financial elements, as well as financial ratios, Uzbekistan was interested in bringing them into line with IFRS after eliminating certain deviations from IFRS for several reasons, such as the existence of various legal and regulatory acts. Government authorities, different economic conditions within the country, differences in industry readiness and practice in a particular country and, most importantly, the ability to exclude an alternative approach from IFRS. But Uzbekistan has issued compliance standards, so from this study we can conclude that IFRS are based on principles and NBU on rules, but we see a difference in terminology, but we do not see a difference between IFRS and NBU in accordance with the rules.

REFERENCES

[1] Ergasheva, S.T., Mannapova, R.A., Yuldashev, E.I. Accounting-A system for managing economic information in agriculture // New Institutions for Socio-Economic Development: The Change of Paradigm from Rationality and Stability to Responsibility and Dynamism. 2021. C. 173-181. DOI: 10.1515/9783110699869-018.

[2] Kozimjonov, A., Problems with Accounting of Borrowing Costs Capitalized in Compliance with the IFRS and the Ways to Solve them // ACM International Conference Proceeding Series. 2021. № 366. C. 369. DOI: 10.1145/3508072.3508137.

[3] Olimovich, K.R. & Rasulovna, K.F., Influencing Factors on Changes in Accounting Policies // Res Militaris. 2022. № 12(2). C. 125-134.

[4] Popkova, E.G., Bogoviz, A.V., Pozdnyakova, U.A., Przhedetskaya, N.V. Specifics of economic growth of developing countries // Studies in Systems, Decision and Control. 2018. № 135. C. 139-146. DOI: 10.1007/978-3-319-72613-7_12.

[5] Tursunov B. Financial security in small business in period of digital economy: in case of Uzbekistan // ACM International Conference Proceeding Series. 2022. C. 491–498.

[6] Urinova, A., Tulaev, J., Choriev, B. Determination of distribution areas and reserves for state accounting of Tajik Kavrak (Ferula Tadshikorum Pimenov) resources in the flora of Surkhandarya and Kashkadarya provinces, Uzbekistan // E3S Web of Conferences. 2023. № 376. C. 02011. DOI: 10.1051/e3sconf/202337602011.

[7] Abdurakhmanov R.A. IFRS is the basis for reforming national accounting and reporting systems. Mustaqillik yillarida Uzbekiston moliy-bank tizimining rivozhlanishi. Ilmiy-amaliy anzhumani makolalari tuppami (2016 November 25). - T.: TDIU, 2016. - 684 b. (B.282)

[8] B. Joraev. "Issues of improving accounting, economic analysis and auditing in increasing the efficiency of the real sector of the economy". A collection of materials of the republican scientific-practical conference. - T.: TDIU, 2015

[9] Costel Istrate (2013) Impact of IFRS on Accounting Data Gray Index of Conservatism Applied to Some European Listed Companies, Scientific Annals of the Alexandru Ioan Cuza University of Iaşi Economic Sciences, 60(2).

[10] Ibragimov, A., Karimov, A., Rizayev, N., & Imamova, N. (2018). International Financial Reporting Standards. T:“Moliya.

[11] Pardaev B.Kh. Management account. - T.: G'. Ghulom Publishing House, 2018. p. 170

[12] Khasanov B.A., Hashimov A.A. Management account. Textbook. - T.: Economy-Finance, 2005. p. 125

[13] Akramov A.A. Accounting and auditing in the corporate management system. Monograph. - T.: Economy-Finance, 2008. p. 12