



## Foreign Experience in Increasing the Attractiveness of Financial Statements

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### ABSTRACT

In the article given the procedure for drawing of the financial statements based on international standards, the possibility of analysis of the income statement and the prospects for their use in the practice of enterprises in Uzbekistan.

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In connection with the transition of our country to a market economy, the main task of business entities is the effective use of their available funds, the optimal management of their assets. Because the sustainable development of the enterprise is directly related to the effective management and allocation of its available funds.

The large-scale attraction of foreign investment contributes to the gradual integration of the national economy at the international level. International between different countries

the role of financial reporting by companies in establishing relationships is invaluable. Accuracy and transparency of financial statements play an important role in the development of companies<sup>1</sup>.

Financial reporting is a method of presenting financial events and transactions that take place and affect an entity, regardless of whether it is a separate independent entity or part of an organized group of business entities.

The purpose of the financial statements is to provide information about the financial position, performance and changes in the financial position<sup>2</sup>.

The purpose of financial statements is to provide information about the financial condition of the enterprise, its activities and cash flows, which is necessary for a wide group of users to make economic decisions.

Financial reporting is the result of the structural grouping of economic transactions in terms of their nature and essence. The final step in the generalization and classification process is to provide very brief information divided into these categories, as the financial statements will be presented as busy and in the comments. The financial statements also show the results of the management of the enterprise's capabilities.

Financial statement information is intended not only for internal users, but also for other external users interested in the activities of the enterprise. It is known that in foreign countries, through legal and regulatory documents, the administration of the enterprise is required to publish annual reports on its activities. The practice of publishing financial statements in Western countries began in the 19th century. Today, annual financial statements not only provide information, but also perform an advertising function. In Western countries, financial statements are published in the form of journals of at least 30 pages. Along with the financial report, the publishing house publishes the company's achievements, financial and economic indicators, as well as financial results in separate sections.

For example, the front pages of U.S. companies' annual financial statements provide a brief overview of key performance indicators for the reporting period. Then the financial report reflects the economic, social and technical indicators of the company, information on investment expenditures by shareholders. It is followed by a brief description of the financial condition, information on the commercial and financial activities of the company<sup>3</sup>.

At the end of the report there are financial reporting forms that reflect the indicators for the reporting period. Although these forms are placed at the end of the report, they reflect the most important information for users.

Although the structure of financial reporting in this form is not mandatory, but in most developed countries the reports are formalized in this form.

<sup>1</sup> Xajimuratov N.Sh. Issues of application of international financial reporting standards in the Republic of Uzbekistan // American journal of economics and business management. Vol. 3, No.3, July-August 2020. 105-113pp.

<sup>2</sup> Avlokulov A.Z. Aligning financial results' audit with international standards in Uzbekistan: comparative and compatibility analysis. //International Journal of Economics, Commerce and Management. Vol. V, Issue 10, October 2017. <http://ijecm.co.uk/> ISSN 2348 0386

<sup>3</sup> Charles H. Gibson. Financial Reporting & Analysis. Eleventh Edition. South-Western Cengage Learning, USA. 2009. -608p.

Today, large and medium-sized companies in developed countries prepare financial statements in accordance with the requirements of the International Accounting Standards Committee (IASC) - the Committee on International Accounting Standards. The structure of the financial statements in accordance with these requirements is as follows:

1. Balance sheet;
2. Profit and loss statement;
3. Report on changes in private capital;
4. Cash flow statement;
5. Comments and explanations.

Although the Committee on International Accounting Standards has determined that companies compile these reporting forms, in most countries there are requirements for financial reporting forms and their structure in accordance with national accounting legislation.

Although the main focus of the current forms of financial reporting in the Republic of Uzbekistan is on the balance sheet, the information on the financial results is also important for external users. Because in a market economy, the main indicator is profit, and its dynamics and structure are also interesting for external users.

The most important aspect of the statement of financial performance is the ability to predict the future of the enterprise on the basis of the data of this report. In international practice, there are different views on the structure of the profit and loss statement. Although this report is intended for a specific purpose, but its structure and the sequence of indicators in it differ. For example, the British-American model has the following features:

1. The structure of this report is based on the concept of the product sold. In Uzbekistan, the focus is on sales or shipments;
2. Costs are classified according to their functions - production, supply, administrative, financial and others.

The continental model is used in Central European countries, the main features of which are:

1. The main indicator for compiling the report is not the sales volume of the product, but the gross output, which includes the product sold, the product in stock and the product shipped;
2. Expenses are classified not according to their function, but according to the place of origin (inventories, wages, depreciation, financial expenses, taxes).

Through this, the user of the financial report can analyze the share of different costs in the product produced, their occurrence by economic elements. In terms of simplicity of calculations, the British-American model is preferable. Below are the features of these models.

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<sup>4</sup> IAS 1 Presentation of Financial Statements. [www.iasplus.com](http://www.iasplus.com)

### Features of profit and loss reporting forms

Major factors	British-American model	Continental model	Uzbekistan practice
1. The basis of the structure	Products sold concept	Gross performance released product	Product sales falling income
2. Classification of costs	By functions: - Tannarx; - Administrative expenses; - Maintenance costs; - - Research costs.	By place of occurrence; - Costs of purchasing raw materials; - Worker and staff costs; - Depreciation costs	By function: - Production costs; - Current expenses; - Financial expenses; - Emergency damages.
3. Analysis options	Costs can be analyzed from a different approach (by function and location)	Only on-site analysis is possible	A different approach to costs can be analyzed on the basis of (functions and location on)

Not only financial reporting forms but also additional information attached to the financial statements are important for analysis and audit. Additional information includes comments, explanations and tables, through which it is possible to objectively assess the results of the enterprise.

Additional information to be included in the financial statements is usually divided into 2 groups:

1. Financial information in monetary terms. For example, in the balance sheet, inventory is shown on a single line, and its contents are shown in the reporting appendices. It can be expressed in different ways: according to the location of assets, the place of occurrence of transactions, the amount of income and losses.

Non-financial information includes:

- ✓ Comments on the balance sheet not expressed in monetary terms (interpretation of accounting methods).
- ✓ Quantitative indicators expressed in kind (number of employees and staff).

This information allows us to reveal the essence of the transactions expressed in terms of value. While financial information is the basis of financial reporting, non-financial information is also important.

Let us consider the international experience in the analysis of financial statements. The diversity of the structure and content of the annual financial report is explained by the differences in national accounting standards. In many countries, accounting standards define the indicators that are reflected in the financial reporting lines. In addition, in most cases, the analysis of financial statements is carried out on the basis of expediency.

But in most cases, companies provide more information than recommended in the standards. Today, there is fierce competition in the world to attract additional sources of funding, for which companies are forced to prepare analytical reports with detailed indicators.

There is another reason why financial statements are not limited to their forms. Financial reporting is a key tool for involving legal entities and individuals in the activities of the enterprise. Individuals as potential investors are more interested in the additional analytical indicators reflected in the financial statements. This is especially true of European entrepreneurs. Therefore, their reports are constantly being improved for analytical purposes.

The abundance of additional information in financial reporting allows us to explore the differences between different national accounting standards. This situation will continue until the accounting is fully integrated.

Based on the above, it should be noted that today in foreign countries, companies are improving due to the possibility of more analysis of reports. This is due to the following:

- ✓ Companies want to increase the ability to analyze reports in order to attract new sources of funding;
- ✓ Efforts are being made to eliminate differences in the scope and methods of analytical reporting in different countries;
- ✓ Reports containing analytical data with an optimal structure serve to reduce the costs associated with raising additional capital;
- ✓ The analysis provides an opportunity to form opinions on determining the future activities of the company.

Based on the above, it should be noted that in the practice of Western countries there is a sufficient experience in the structure, preparation and analysis of financial statements. It is expedient to study foreign experience in bringing the accounting system of the Republic to the international level. It is advisable to pay more attention to the technique and importance of financial reporting, as well as the ability to analyze.

#### **USED LITERATURE:**

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