



## Different Aspects of the Interpretation of Accounting Policies in National and International Standards of Accounting

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### ABSTRACT

The article researched the methodological aspects of creating an accounting policy. As a result of research, different aspects of accounting policy interpretation in national and international accounting standards have been revealed.

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### INTRODUCTION

In the process of globalization, the importance of accounting policy is increasing due to the economic situation in the countries of the world, the cases of non-payment, the insolvency of debtor enterprises, and the decrease in the level of financial independence, which directly affects the financial condition of economic entities. Depending on how the accounting policy is formed, the economic activity of the enterprise develops at a modern level.

## LITERATURE REVIEW

There are many views on revealing the essence of accounting policy in regulatory legal documents and economic literature.

According to IAS No. 8 «Accounting policies, changes in accounting estimates and errors», «accounting policies are certain principles, bases, generally accepted conditions, rules and practical approaches used by the organization in preparing and presenting financial statements» [1].

According to NSA No. 1 entitled «Accounting policy and financial statement», «accounting policy is a combination of the methods used by the head of an economic entity for accounting and financial statement, together with their principles and bases» [2].

D. Lugovsky and M. Kuter stated that «the choice of accounting policy is subjective and requires the use of professional accounting judgment» [3].

According to the report of KPMJ audit organization, «accounting policies used by the management play an important role in ensuring the formation of a fair and accurate opinion on the financial position and results of the company's activities for the benefit of shareholders» [4].

According to B.Elliot and J.Elliot, «the amount of changes in the accounting policy depends on the scope of the enterprise's activities and the events that occurred during the financial year» [5].

As it can be seen from the points mentioned above, the research focuses mainly on the essence of accounting policy. However, not enough attention has been paid to the structural structure of the accounting policy.

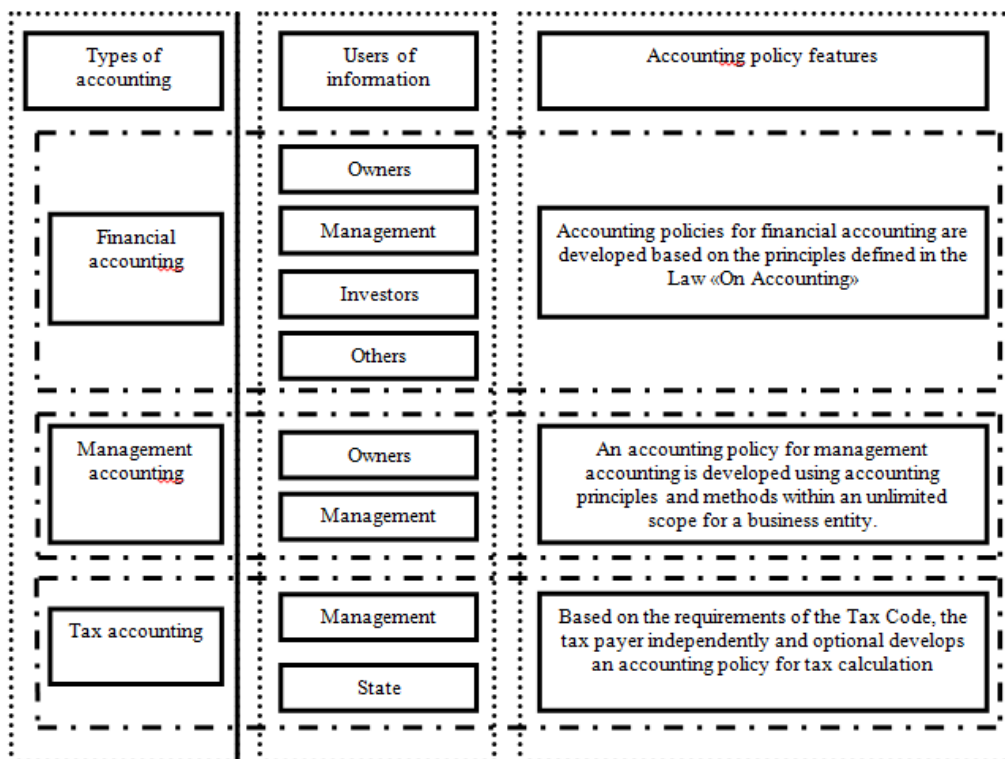
## RESEARCH METHODOLOGY

The rules for creating an accounting policy are reflected in normative legal documents. Organization of accounting policies in economic entities on the basis of international standards is of great importance in improving the scientific and methodological apparatus of accounting.

## ANALYSIS AND RESULTS

Accounting policies can include financial, tax and management accounting aspects. The accounting policy formed by economic entities for the purpose of financial accounting is based on accounting legislation. The accounting policy for tax accounting purposes reflects the rights granted by tax legislation in terms of choosing possible options for calculating the tax base.

In the field of management accounting, accounting policy covers a large number of alternatives. Calculation of product cost, determination of inventory valuation methods occupy a central place in management accounting. The purpose of the accounting policy for financial, tax and management accounting is reflected in Figure 1.



**Figure 1. Accounting policy structure and its users<sup>1</sup>**

Based on the comparison of the provisions of IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors» and NSA Uzbekistan No. 1 «Accounting policy and financial statement», the procedure for showing the results of changes in accounting policy in financial statements was implemented. The most important criterion in accounting is the reflection of changes in accounting policies. A distinctive feature of the activities of economic entities is the diversity of accounting for assets and liabilities. Table 1 shows the comparison of methods of regulation of accounting policy reflected in IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors» and NSA Uzbekistan No. 1 «Accounting policy and financial statement».

**Table 1. Comparative description of the provisions of IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors» and NSA No. 1 «Accounting policies and financial statement»<sup>2</sup>**

Comparison criteria	IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	NSA Uzbekistan No. 1 «Accounting policy and financial statement»
The objective of the standard	The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in	in order to ensure the comparison of the financial statements of the economic entity in different reporting periods, as well as the financial statements of different economic entities, determines the

<sup>1</sup> Made by author

<sup>2</sup> Made by author

	accounting policies, changes in accounting estimates and corrections of errors.	basis for the formation and compilation of the financial statements of the economic entity
The concept of accounting policy	specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements	the methods used by the head of the economic entity for accounting and financial statement, a summary of their principles and principles
Organizational aspects	not intended	accounting policy must be formalized by order
Presence of signs of continuity in business activities, property separation, assumptions about timeliness and rationality of accounting	not available	available
Changes to accounting policies	a) Required by IFRS; or (b) Results in the financial statements providing reliable and more relevant information.	It is allowed to change the accounting policy of an economic entity in the following cases: a) when the entity is reorganized (merged, divided, acquired); b) when ownership changes; c) when there are changes in the legislation of the Republic of Uzbekistan or in the regulatory system regulating accounting in the Republic of Uzbekistan; d) when new accounting methods are developed.
Retrospective application	Retrospective application is applying a new accounting policy to transactions, other events and conditions as if that policy had always been applied.	In the financial statement, it is necessary to clarify all the comparative information in relation to the previous period. The comments and explanatory information of the financial statements of the previous period should also be presented for the current reporting period and should be updated if necessary to present the financial statements of the current reporting period objectively.
Prospective application	Prospective application of a change in accounting policy and of recognising the effect of a change in an accounting	Applying the changed method of accounting to the relevant facts of economic activity that occurred after the introduction of the

	estimate, respectively, are: (a) applying the new accounting policy to transactions, other events and conditions occurring after the date as at which the policy is changed; and (b) recognising the effect of the change in the accounting estimate in the current and future periods affected by the change.	changed method
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IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors» does not consider concepts such as «assumptions» and «requirements» in the development of accounting policies, as analogues of these categories, in the absence of a specific IAS applied to an operation, event or condition, the accounting policy of the accountant may specify that he must use his opinion in the development.

Both national and international standards indicate that the application of accounting policies by economic entities should be consistently implemented, but in practice there may be a number of cases where its change may occur due to a specific need.

In NSA Uzbekistan No. 1 «Accounting policy and financial statement», there are four reasons for making changes to the accounting policy, and IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors», only two reasons are given. Despite these differences in standards, the conditions under which changes are made are generally comparable, but at the same time, the main difference is that NSA indicates the cases of changes in accounting policies, while the international standard focuses on mandatory changes that lead to providing users of financial statements with more current and reliable information about the financial position of the entity. Changes in accounting policies that need to be measured in monetary terms can have a significant impact on the organization's financial position, cash flow, and financial results. Therefore, both standards under consideration provide for two options for reflecting the consequences of changes in accounting policies - retrospective and prospective options.

## CONCLUSION

1. In the Republic of Uzbekistan, a lot of work is being done to adapt accounting to international standards. In particular, the official edition of the international financial statement standards in the national language is being prepared, in addition, other methodological documents on the application of the standards are being developed. However, in accounting, first of all, careful development of the accounting policy is the demand of the times. Therefore, the requirements of NSA Uzbekistan No. 1 «Accounting policy and financial statement» in force in our country should be brought closer to international standards.

2. When analyzing the content of regulatory documents on accounting policy, it is necessary to use the information obtained at the initial stage of the audit. In our opinion, at this stage, it is appropriate to reveal the content of the methodological aspect of the accounting policy in parallel with the analysis of the tax aspect of the accounting policy. After all, according to the results of this analysis, an opinion is formed about the content of the main aspects of the accounting policy and the legality of determining the tax base for individual taxes from the point of view of forming indicators of financial and tax statement.

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