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Article

Structure of Financial Position Report in Accordance with International Standards and its Comparison with NAS

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Abstract: This article looks at how financial position reporting practices have grown in Uzbekistan. It compares national accounting standards (NAS) to international standards (IFRS). The study shows why it's key to bring Uzbekistan's financial reporting in line with global practices. This has an impact on making enterprises more stable and helps to make better decisions. The article breaks down the layout and setup of balance sheets under both NAS and IFRS. It points out main differences in how assets and liabilities are shown when it comes to liquidity. The research reveals how these differences change how clear and comparable financial results are. It gives insights on how using international standards can boost financial openness. The article stresses that financi al statements and accounting records are vital to check a company's financial standing. They allow for good analysis of changes, performance comparisons, and benchmarking. In the end, bringing financial reporting in line with international standards is crucial to draw in foreign investment and ensure lasting economic growth in Uzbekistan.

Keywords: NAS, IAS, Financial status, International standards, Assets, Liabilities

1. Introduction

As President of the Republic of Uzbekistan, Shavkat Mirziyoyev, has emphasized: “One of our most important priorities is to further strengthen macroeconomic stability and maintain high rates of economic growth, including ensuring the stability of the national currency and the price levels in the domestic market.” As a result of broad public discussions, the Development Strategy of New Uzbekistan for 2022 –2026 was developed based on the principle of “From the Strategy of Actions to the Strategy of Development.” This strategy includes seven priority areas and is outlined in the state program dedicated to the "Year of Honoring Human Dignity and Active Mahalla."

Today, it is difficult to imagine the global economy without holding companies, corporate mergers and acquisitions, and the establishment and optimization of corporate structures. Therefore, in the context of a developing economy, studying international practices and applying them in our country remains one of the critical tasks. In this regard, examining the differences between national accounting standards and international accounting standards and implementing them in practice could play a significant role in the development of our country. This would particularly contribute to attracting foreign investors by equipping us with the necessary expertise and skills

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2. Materials and Methods

Literature review

K.B. Urazov provides the following perspective: "The primary essence of a balance sheet is to reflect the equality of a company's funds and their sources of formation on a specific date, providing information about its financial condition on that date."

H.N. Musayev defines it as follows: "The most important component of a company's financial statements is the accounting balance sheet. The accounting balance sheet presents the company's property status, assets, and their sources expressed in monetary terms."

Foreign scholars, such as B. Needles and others, provide the following interpretation of the balance sheet: "The balance sheet reflects a firm's financial condition on a specific date, such as at the end of a reporting period. It shows the firm's resources—assets—and their sources—liabilities and equity—as being equal."

According to Uzbekistan's National Accounting Standard No. 15, "Accounting Balance Sheet," the balance sheet is defined as "one of the components of financial statements, which collects and discloses information about the property and financial condition of an economic entity."

Methodology

To explore accounting standard differences this article combines both research theories and real-world techniques in its analysis. Multiple research techniques were used to achieve accurate analysis. Our methods study these differences using multiple methods including both analysis and synthesis plus three more methods. The selected research methods enabled us to review financial reporting systems fully while contrasting standards and creating solid findings.

Research analysis and synthesis form the core methods used in this study. The researcher reviews each part of financial statements including assets liabilities and equity when studying both international accounting standards and domestic reporting requirements. Our analysis enables complete comparison of how each system shows details in the balance sheet. By connecting the various aspects our analysis lets researchers find common patterns and show how the two systems both match and vary. Financial data analysis needs this method to show how businesses translate their financial information across different accounting systems.

Our research approach heavily depends on induction and deduction methods. Starting with actual balance sheet data to uncover differences between accounting standards leads to general findings about standard variation at national and international levels. Accounting standards start broad when using deductive reasoning before applying them to test and validate their practical use in accounting practice. Using both deductive and inductive reasoning helps research teams gain complete knowledge about their work area.

This method permits attention to be paid to the time and space relationships with regard to the evolution of accounting practices, whether it is from one period to another or one country to another. The research deals with the global development of accounting practices with particular emphasis on international accounting standards and their impact on a country's accounting systems. This history aids the understanding of the similarities and differences with the two sets of standards and why, in both cases, attempts have to be made to harmonize the regulations of the national accounting systems to international benchmarks so that financial statements can be reliable and comparable.

3. Results

The financial position statement has differences between foreign and national standards, which are as follows:

a. Difference

In foreign practice, current assets are first placed in the balance sheet asset, and then long-term assets. In our practice, long-term assets are first placed in the balance sheet asset, and then current assets.

b. Difference

In international practice, in the current part of the balance sheet asset, elements are placed depending on their liquidity, namely: cash, accounts receivable, inventory, deferred expenses, and deferred expenses are placed in the following order: inventory , deferred expenses, accounts receivable, cash, and short-term investments.

c. Difference

In international practice, long-term elements of the balance sheet asset are placed depending on their liquidity, namely financial investments, long-term accounts receivable, capital investments, intangible assets and fixed assets (buildings, equipment, mini-factories, etc.). In our country, in the asset of the balance sheet of the long-term part, its elements are placed in the following order: fixed assets, intangible assets, unfinished capital investments, installed equipment and long-term financial investments.

d. Difference

In international practice, liabilities are placed first in the liabilities of the balance sheet, and then the elements of equity. In our country, the elements of equity are placed first in the liabilities of the balance sheet, and then the elements of liabilities.

e. Difference

In international practice, in the first part of the liabilities of the balance sheet, that is, in the section reflecting liabilities, current liabilities are placed first, and then long-term liabilities. In our country, in the liabilities section of the balance sheet reflecting liabilities, long-term loans and credits are first placed, and then current liabilities.

f. Difference

In international practice, the main elements of the liabilities section reflecting equity in the balance sheet include authorized capital, additional capital and retained earnings (losses). In our country, the elements (items) reflecting sources of equity in the liabilities section of the balance sheet used in our country include authorized capital, additional capital, reserve capital, repurchased own shares (deducted), retained earnings (losses), target receipts, as well as reserves for future expenses and payments.[1]

Table 1. Key Differences in the Structural Composition of the Balance Sheet Between International Practices and National Standards (Uzbekistan)

In International practices	**In Uzbekistan**
I. Regarding long-term assets	
1. Long-term financial investments 2. Long-term receivables 3. Deferred expenses 4. Intangible assets 5. Real estate, buildings, and equipment	1. Fixed assets 2. Intangible assets 3. Uninstalled equipment 4. Capital investments 5. Financial investments 6. Long-term receivables and deferred expenses
II. Current assets	
1. Cash and cash equivalents 2. Short-term investments	1. TMZ 2. Prepaid expenses

3. Receivables 4. Inventory 5. Prepaid expenses 6. Deferred expenses	3. Deferred expenses 4. Accounts receivable 5. Cash and cash equivalents 6. Short-term investments
III. Liabilities	
1. Short-term liabilities 2. Long-term liabilities	1. Long-term liabilities 2. Short-term liabilities
IV. Shareholders' equity	
1. Share capital 2. Additional capital 3. Retained earnings	1. Charter capital 2. Additional capital 3. Reserve capital 4. Retained earnings 5. Special purpose income 6. Reserves for future expenses and payments

4. Discussion

The layout of the components in which the financial position report is organized one of the critical point which distinguishes between it from one another can be seen from the TABLE. These items were arranged based on liquidity in general, more specifically the speed of which those items turn (as reviewed before). In other words, assets and liabilities of the balance sheet are classified and disclosed in order of either how easily they can be converted into cash or when they are due to be settled. Cash, accounts receivable and inventory — as assets naturally occur in the order of liquidity (most- least liquid) same with every balance sheet.

Likewise, the liabilities are ordered by their due dates (current liabilities come first and long-term liabilities are captured in one section).

This liquidity highlighting approach is intended to offer a simple and immediate sense of the financial position of an entity by way of illustrating the ability to meet prospective short term commitments of the company. Especially for Stakholders that have a real need to quickly fingerprint the finance elements for the health of organization in relation to short term financial obligations. Improving this liquidity increases the transparency and accessibility of the financial position note, understanding the state of all accounting balances, for a quick glance.

This method has been devised for the financial position report organization, and it should be mentioned that it deals with advanced accounting subject matters that IFRS(International Financial Reporting Standards) largely apply. These principles have evolved through the application and adaptation by foreign practices over time, and simply provide a core of an organized and recognized global framework in which financial information is presented.

Linking the structure of financial statement to those international standards causes the report illustrates adherence and consistency with global best practice, which makes for easier reading for international investors and other financial analysts.

In addition, the introduction of this liquidity-based framework not only makes the financial position report clearer and more useful but it also let you able to make better decisions. The report is the one sought by internal and external users (managers, investors, creditors and even regulatory authorities) who want to see the company has organized and understandable snapshot of their finances.

Which allows for faster and better informed decisions, since stakeholders can check in a blink if the company is financially sound or not based on the data.

In operation, this allows managers to immediately address cash flow management problems, feasibility analysis on investments and financing requirements. Including also

available the liquidity position with regard to the company investor and creditor can still assess whether the business has capacity to fulfill its short-term payment obligations or not (risk). By offering such granular and transparent the report permits users to reach decisions that are not only quicker but also more precise then contributing towards the sustainability and growth of company in the long run.

Ultimately, the liquidity based organisation of a financial position report is key towards enhancing the decision making capabilities of different stake holders in order to speed up the process. When the report is presented as in conformity with international standards from the financial perspective, it becomes an important weapon even for internal managers and external parties to make decisions properly, in time covering all the relevant financial information that needs to be considered.

Not only does this approach make the financial report more understandable, it also makes the financial decision process more useful in daily operation of an organization as a whole.

5. Conclusion

It becomes necessary for enterprises and business activities in Uzbekistan to develop legal financial position reports in line with international practices, so that we fully recognize the financial stability of a particular firm. Being in conformity with global best practices will enable full transparency and standardization of the reporting, important for both local and foreign stakeholders. Such alignment is the first step to build trust of foreign investors, bolster the financial statement reporting practice and foster an environment for economic growth — by positioning Uzbekistan more attractive destination for investment.

Balance sheets, income statements and other financial position reports are useful to evaluate whether or not a company is healthy in terms of finance. They help businesses to track financial trends over time and catch some early warning signs. In addition, these reports allow for industry and company comparisons through financial results that enables businesses to take a look at their competitors and be able to benchmark.

Back-office analysis of companies financial position starts with financial statements and accounting records. Right data gives a high level of insight into the assets, liabilities and equity as well as revenue & expense which helps companies to measure their liquidity, profitability and solvency. Compliance with the international accounting standards would help, it makes sure than financial reports of Uzbekistan are true, trustworthy and comparable up to a certain extent on the world scale.

This means it is not only better for companies in order to make better decisions but also beneficial for the economy as a whole to have a nation that is more stable. In the end, acceptance of international financial reporting practices will lead to accelerating Uzbekistan's incorporation into a global economy and ensure long-term profitable business practices.

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