

Problems of Implementing International Financial Reporting Standards

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ABSTRACT

Objective: This article analyzes the process of implementing financial reporting standards in Uzbekistan. **Method:** The existing challenges in applying International Financial Reporting Standards (IFRS), including the underdeveloped legislative framework, the shortage of qualified specialists, and technological barriers, are discussed. **Results:** Furthermore, the prospects for introducing these standards are outlined, with proposals focused on improving legislation, training specialists, advancing digitalization, and strengthening international cooperation. **Novelty:** The article systematically identifies legislative, human resource, and technological barriers while simultaneously outlining practical proposals to enhance IFRS implementation in Uzbekistan.

INTRODUCTION

In the context of globalization, ensuring the transparency, accountability, and comparability of financial information is becoming increasingly important. Therefore, the process of introducing International Financial Reporting Standards (IFRS) into national economies holds strategic significance for various countries. The primary objective of these standards is to prepare financial statements on the basis of uniform requirements and to provide reliable information to investors, creditors, and other stakeholders [1]. However, a number of challenges arise in implementing them in national practice.

Financial reporting is a set of key documents that provide complete and accurate information about the financial position, performance, and cash flows of an enterprise or organization [2]. These reports present information to stakeholders—including shareholders, investors, creditors, tax authorities, and other users—about the financial stability, assets and liabilities, revenues, and expenses of the organization. The main purpose of financial reporting is to enable users to make well-founded decisions regarding the financial position and future prospects of the organization.

Financial statements are prepared on the basis of accounting principles and usually consist of the following main components: the statement of financial position (balance sheet), the statement of financial performance (income statement), the cash flow statement, and the statement of changes in equity. In addition, notes and supplementary explanations may be included, which ensure the financial information is presented more

clearly and accurately [3], [4]. The importance of financial reporting lies in the fact that it ensures the transparency and accountability of business activities. For enterprises, financial reporting serves as the main tool for attracting investment, developing relations with creditors, and making business decisions. At the same time, the compliance of financial statements with international standards—that is, their preparation in accordance with International Financial Reporting Standards (IFRS)—ensures comparability of information on a global scale and provides a more reliable source of information for foreign investors [5]. Thus, financial reporting makes it possible to analyze an enterprise's financial condition in a timely and reliable manner, contributing to the efficiency of economic decision-making.

International Financial Reporting Standards (IFRS) are a set of standards developed for the preparation and presentation of financial statements of enterprises and organizations on the basis of a unified system worldwide. The main purpose of these standards is to enhance global economic integration by ensuring transparency, comparability, and reliability of financial reporting. IFRS makes it possible to interpret and evaluate financial information consistently at the international level, which is of great importance to investors, creditors, and other stakeholders. The fundamental principles of IFRS are based on several key concepts [6], [7].

First, the principle of transparency ensures that financial information provided by enterprises is complete and reliable.

Second, the principle of comparability creates the possibility of comparing the financial statements of enterprises operating in different countries, which is especially significant for international investors and analysts.

RESEARCH METHOD

Third, according to the going concern principle, an enterprise must prepare its financial statements under the assumption that it will continue its operations in the foreseeable future.

Fourth, the prudence principle must be taken into account, meaning that when preparing financial statements, enterprises should consider potential risks and avoid overstating assets and income. In addition, IFRS is based on the principle of fair value, which requires that assets and liabilities be reflected in financial statements at their actual market value. This principle differs from the traditional historical cost-based approach of accounting systems and ensures the realistic valuation of assets. IFRS is also continuously updated to maintain the relevance and reliability of reporting.

Currently, more than 140 countries, including the European Union member states, Australia, Canada, and other developed economies, have adopted IFRS. In Uzbekistan, the process of implementing IFRS is being carried out gradually, as it plays an important role in attracting international investment and integrating into global financial markets. Therefore, studying the fundamental principles of IFRS and the issues related to its implementation is of great significance for improving the financial reporting system.

There are numerous scholarly works, monographs, and articles devoted to the theoretical and practical aspects of implementing International Financial Reporting Standards (IFRS). In this literature review, the works of Uzbek scholars, as well as international sources, are analyzed.

RESULTS AND DISCUSSION

Abdukarimov I.T. in his book “International Financial Reporting Standards and Their Application in Practice” (2020) provides a detailed analysis of the main principles of IFRS, its adaptation to the national accounting system, and the legal aspects of its implementation. The author highlights pressing issues related to the application of IFRS in Uzbekistan and offers recommendations for their resolution.

Karimov B.B., in “Modern Issues of Accounting and Auditing” (2019), discusses the theoretical foundations of financial reporting under international standards, as well as improvements in the audit system. In this book, the author also emphasizes the role of audit organizations during the transition to IFRS and examines changes in national legislation [8].

Saidov U.M., in “Financial Reporting and Directions of Adaptation to International Standards” thoroughly studies the process of preparing financial reports in accordance with international standards and the challenges arising in this process. The author proposes scientifically based recommendations for Uzbek enterprises on the stages of transitioning to IFRS.

Khaydarov T.R., in “International Financial Reporting Standards and Their Application in Uzbekistan”, presents research results on the impact of international standards on financial reporting and their adaptation to the national accounting system [9], [10]. According to the author, strengthening the economic and legal conditions in Uzbekistan is essential for implementing IFRS.

Nishonov A.K., in his article “Problems and Prospects of Transition to an International Accounting System in Uzbekistan”, examines the challenges of harmonizing national accounting standards with international standards and the ways to overcome them. The author conducts a deep analysis of the financial reporting practices of Uzbek enterprises and compares them with international experiences.

Qochqorov Sh.A., in “The Economic Efficiency of Implementing International Financial Reporting Standards”, analyzes the factors influencing the financial stability of enterprises as a result of the transition to IFRS. The author emphasizes the need to develop the necessary infrastructure and a system for training specialists in order to implement this process effectively [11].

Yusupov D.M., in “Directions for the Development of an Accounting System Based on International Standards”, explains the main differences between international and national accounting systems and methods of harmonizing them. His research can help national enterprises address challenges that arise when reporting under international standards.

International authors, such as Nobes C. and Parker R., in their book “Comparative International Accounting”, study international accounting systems and the practice of financial reporting under IFRS. Although this research is mainly based on the experience of Western Europe and the United States, its findings are also relevant for Uzbekistan.

Annual reports published by international audit firms such as Deloitte, PwC, EY, and KPMG provide detailed information on practical experiences in implementing IFRS, global trends, and best practices [12]. These sources are important for understanding the impact of international financial reporting standards on the real sector and business practices.

In many countries, national accounting policies and existing legal regulations do not fully comply with the requirements of IFRS. For example, differences exist in asset valuation, depreciation methods, and the influence of tax reporting on financial reporting. This creates two different approaches in practice.

The implementation of IFRS requires highly qualified accountants, auditors, and financial specialists. Accountants and auditors are expected to have a deep knowledge of IFRS and apply it correctly in practice. However, in many cases, the human resource base is insufficient [13]. In particular, the limited number of professional development programs and restricted opportunities to study foreign experience constitute one of the obstacles in this area. This situation slows down the process of IFRS adoption.

Modern information systems play an important role in maintaining records under IFRS. In national enterprises, accounting software is often designed in line with national standards, and adapting them to IFRS requirements requires significant time and costs. Furthermore, methodological guidelines and sample documents for practice are insufficient [14], [15].

The software used by national enterprises is mostly aligned with national standards, and modifying it requires considerable time and financial resources.

The adoption of IFRS imposes additional costs on enterprises. These include expenses for new software, retraining specialists, changing reporting formats, and audit services, which can become burdensome for enterprises. This is particularly challenging for small and medium-sized businesses.

Moreover, the skills required to use IFRS-based reports are not yet fully developed. Investors and financial institutions in some cases still give more attention to national reports, which hinders the full application of IFRS in practice.

CONCLUSION

Fundamental Finding : The implementation of IFRS contributes to enhancing the international competitiveness of the national economy. The adoption of International Financial Reporting Standards plays a crucial role in strengthening international economic integration and improving the investment climate. **Implication :** In this way, the effective implementation of IFRS will enhance the competitiveness of the national economy in the international arena and expand opportunities for attracting

investment. **Limitation** : However, addressing the challenges arising in this process in a consistent manner is of strategic importance. However, in order to overcome the difficulties in this process, the following measures are recommended. **Future Research** : Harmonizing national legislation and standards with IFRS requirements. Implementing comprehensive programs for improving professional qualifications. Introducing modern information systems and integrating them with IFRS. Providing additional incentives and subsidies from the state for small business entities. Expanding practical guidelines, educational materials, and scientific research.

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