UDC 336.025
JEL classification: M4, M41, M410
https://doi.org/10.33619/2414-2948/68/31

ACCOUNTING FOR FINANCIAL INSTRUMENTS: THE MAIN DIFFERENCES ACCORDING TO NATIONAL ACCOUNTING STANDARDS OF UZBEKISTAN AND IFRS

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УЧЕТ ФИНАНСОВЫХ ИНСТРУМЕНТОВ: ОСНОВНЫЕ ОТЛИЧИЯ ПО НАЦИОНАЛЬНЫМ СТАНДАРТАМ БУХГАЛТЕРСКОГО УЧЕТА УЗБЕКИСТАНА И МСФО

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Abstract. At the international level, the pandemic is escalating, and the deepening economic crisis is affecting all sectors of the economy. In such a situation, such issues as steady population growth, achieving sustainable economic development, ensuring the well-being of the population, and creating permanent jobs are on the agenda. In turn, one of the key factors in the development of the economy is the adaptation of accounting and reporting systems in the country to the requirements of international financial reporting standards. In accordance with the above requirements, in this article we examined the differences in accounting for financial instruments in accordance with national and international financial reporting standards.

Аннотация. На международном уровне пандемия усиливается, и углубляющийся экономический кризис затрагивает все сектора экономики. В такой ситуации на повестке дня встают такие вопросы, как устойчивый рост населения, достижение устойчивого экономического развития, обеспечение благосостояния населения и создание постоянных рабочих мест. В свою очередь, одним из ключевых факторов развития экономики является адаптация систем бухгалтерского учета и отчетности в стране к требованиям международных стандартов финансовой отчетности. В соответствии с вышеуказанными требованиями в данной статье мы рассмотрели различия в учете финансовых инструментов в соответствии с национальными и международными стандартами финансовой отчетности.

Keywords: financial assets, financial liabilities, financial instruments.

Ключевые слова: финансовые активы, финансовые обязательства, финансовые инструменты.

Introduction

Nowadays the government of the Republic of Uzbekistan pays special attention to the wide attraction of foreign investors and direct foreign investments to the country's economy, organizing the activities of free economic zones, developing partnerships with leading foreign institutions, ensuring transparency of information on the spending of public funds. The implementation of these important tasks necessitates the implementation of appropriate work on the stage-by-stage implementation in the country of generally accepted modern norms and standards, including international financial reporting and audit standards [1–6].

This is due to the fact that accounting based on international financial reporting standards ensures transparency, reliability and objectivity of the information provided, which largely contributes to the solution of issues related to the investment of funds by investors and banks in the development of enterprises. On a national scale, the implementation of international financial reporting standards plays an important role in attracting foreign direct investment, which is aimed at expanding and modernizing production, creating new jobs, increasing tax revenues to the State budget and ensuring the stability of economic growth.

Record keeping is different both in different companies and in different countries and therefore it is necessary to have a “common language” of accounting. The purpose of IFRS is that they are aimed at maintaining stability and transparency in the world of finance. Thanks to these standards, enterprises from different countries can understand each other's financial statements and make decisions on further cooperation. In many countries in Europe, Asia and South America, international reporting standards are accepted as mandatory.

One of the most effective tools for the development and improvement of the economy of each state is an active investment policy. It is for this reason that today the issue of transforming financial statements compiled in accordance with NAS in accordance with IFRS requirements, which is interesting for investors, and information about the activities of enterprises and companies in the financial futures markets is no less important. In this regard, it is of great importance to study the international practice of accounting for financial instruments and the presentation of information in the reporting on them.

Differences between the national system and IFRS

The investment policy of the state is the most important component of the general economic policy. It is a set of goals, objectives, directions and activities carried out to enhance capital investments, optimize their structure, and improve their efficiency.

Uzbekistan is at the stage of globalization of the financial market, there are interdependence and interconnection between the national markets for goods, labor, as well as foreign exchange and financial markets.

Currently, companies whose shares are traded on the RSE “Toshkent”, in parallel, report on both national accounting standards and international financial reporting standards. And as a rule, the presented financial results do not match. Since NAS are intended to provide information to regulatory and tax authorities, and IFRS reporting is more used by investors and creditors to make investment decisions.

Uzbekistan does not have a separate accounting standard for accounting for financial instruments. The NAS 12 “Accounting for financial investments” developed by the Ministry of Finance of the Republic of Uzbekistan regulates the general procedure for accounting for financial investments as an integral part of financial instruments. The national accounting system is gradually approaching international standards, but there are quite significant discrepancies in the accounting of financial investments.

There are several standards governing the reflection of financial instruments in financial statements according to IFRS: IFRS 9 “Financial Instruments”, IFRS 7 “Financial Instruments: Disclosures”. The main one is IFRS 9 “Financial Instruments”, it was released relatively recently and has been applied to financial statements since 2018. This standard defines the term “financial instrument”.

Under this standard, a financial instrument is a contract that gives rise to one party (the company) of financial assets and the other party (the counterparty to the contract) either a financial liability or an equity instrument. In fact, it follows from this definition that if there is a contract that gives rise to three objects — financial assets, financial liabilities or equity instruments, the company will have a financial instrument reflected in its financial statements. In NAS 12 “Accounting for financial investments” for accounting purposes, the concept of “financial instruments” is absent.

Accounting for financial investments in NAS 12 is considered more narrowly than financial assets under IFRS. The standard does not regulate the accounting for accounts receivable. And there is no accounting procedure for financial obligations at all.

The main differences between accounting for financial investments according to NAS and IFRS can be presented in the form of the following Table:

Table

DIFFERENCES BETWEEN NAS AND DEVELOPED COUNTRIES' ACCOUNTING STANDARDS

Differences	*IFRS 9*	*NAS 12*
Intended	*For the investor*	*For the issuer*
purpose	Determining the principles according to which financial instruments are presented as liabilities or equity. Offsetting financial assets and financial liabilities	Formation of information about financial investments in accounting and financial reporting
Valuation of financial instruments	The assessment depends on the classification (paragraph 4.1. IFRS 9 “Financial Instruments”: Recognition and Measurement): - carried at amortized cost (loans, receivables, investments held to maturity), taking into account impairment; - recorded at fair value through profit or loss; - recorded at fair value through equity.	Financial investments are measured at initial (historical) cost less impairment (clauses 9, 11 of NAS 12 “Accounting for financial investments”). Financial investments for which the market value can be determined are evaluated at the current market value (clause 10 of NAS 12).
Interrelated standards	IAS 32 Financial Instruments: Presentation IAS 39 Financial Instruments: Recognition and Measurement	
Financial instrument	A contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another	The concept of a financial instrument is not considered for accounting purposes
Derivative financial instruments (options, forwards, futures, swaps)	Meets the definition of a financial instrument and is within the scope of this Standard	Not considered in the standard
Financial asset	Cash; A contractual right to claim cash or another financial asset; Equity instrument of the company	There is no definition in the standard
Financial liability	It is the obligation of the parties to the contract to deliver any financial asset to another company or exchange financial instruments on favorable terms: Accounts payable; Loans received; Bonded and promissory notes issued by the company.	There is no definition in the standard This definition is reflected in the Civil Code of the Republic of Uzbekistan in Article 234. Obligation is a civil legal relationship by virtue of which one person (debtor) is obliged to

Differences	*IFRS 9*	*NAS 12*
Intended	*For the investor*	*For the issuer*
		perform a certain action in favor of another person (creditor)
Equity instrument	Contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities	There is no definition in the standard In fact, equity instruments are shares and other interests in equity.
Allocation of investments in subsidiaries, associates, joint ventures	Interest on financial instruments carried at amortized cost is accrued at the original effective interest rate (clauses 4.1, 4.2. IFRS 9).	The financial statements do not separately highlight

This table does not show all the differences between the NAS 12 “Accounting for financial investments” from IFRS 9 “Financial instruments”. Making a comparison between domestic and international standards, we came to the conclusion that IFRS provides a more detailed description of the procedure for recording transactions with financial investments and their formation in the reporting.

Based on the above, for the adaptation of NAS 12 to the requirements of IFRS, we have the following proposals:

1. Develop the maximum number of regulatory documents for the accounting of financial instruments. Create Methodological Recommendations for the Application of NAS, where the most complex provisions of the NAS will be illustrated by examples.
2. Introduce the term “financial instruments” into the national standard, which will bring it closer to IFRS, give a clear definition and avoid alternative interpretations.
3. Prescribe possible fair value equivalents, describe the procedure for assessing the value of financial assets and financial liabilities in the absence of the possibility of determining fair value.

Conclusion

From our studies of the current state and prospects of long-term investment, it follows that a wide range of sources of financing for long-term investment opportunities, a favorable and attractive investment climate created for this, opens up opportunities for using all levers of economic incentives to maintain the world's highest rates of economic growth and confidently to declare that Uzbekistan will soon become one of the leaders of the developed countries of the world.

High goals, complication of tasks of economic and financial processes require improvement and ensuring the unity of national accounting standards with methodological principles accepted in world practice.

Significant differences in the basic principles of IFRS and NAS lead to fundamental differences in reporting. At the same time, it is obvious that IFRS reporting is of great value for investors, since it reflects the real state of affairs and is most convenient for interpretation.

The NAS has a more strict form, the main emphasis is on formalism, for each article there is a strictly fixed title and serial number.

The lack of requirements in the system of national regulations for accounting for derivative financial assets and financial liabilities leads to some distortions of accounting information, as well as to incomparability of reporting data presented in the NAS and IFRS format. The solution to these

Т. 7. №7. 2021
https://doi.org/10.33619/2414-2948/68

problems is possible through the creation of Methodological Recommendations for the application of the NAS. Many problems will be overcome by introducing adequate terminology in the NAS.

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Работа поступила в редакцию 10.06.2021 г.

Принята к публикации 15.06.2021 г.

Ссылка для цитирования:

Djambakieva G. Accounting for Financial Instruments: The Main Differences According to National Accounting Standards of Uzbekistan and IFRS // Бюллетень науки и практики. 2021. Т. 7. №7. С. 245-249. https://doi.org/10.33619/2414-2948/68/31

Cite as (APA):

Djambakieva, G. (2021). Accounting for Financial Instruments: The Main Differences According to National Accounting Standards of Uzbekistan and IFRS. *Bulletin of Science and Practice, 7*(7), 245-249. https://doi.org/10.33619/2414-2948/68/31