

# Improving Inventories On The Basis Of International Accounting Standards

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**Abstract:** *The main issue in accounting for inventories is to determine the amount of costs that is recognized as an asset and carried forward until the corresponding revenue is recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the costing formulas that are used to allocate costs to inventory.*

**Keywords**— inventory, cost of inventory, production stocks, workflow, average cost, IFRS.

## 1. INTRODUCTION

The economic system of any level in a permanently changing economic environment relies on entities striving for sustainable development. In turn, steadily developing enterprises are interested in preserving the resources invested in the organization and obtaining economic benefits in the form of dividends or increasing capital in order to reproduce fixed assets. Limited access of enterprises to resources during the crisis puts before the subjects of the economy the task of rational use of investment resources by carefully ranking investment projects and selecting the most promising ones. The only source is the information received from business entities, which, in our opinion, serves as a mechanism for the safety of invested funds in various projects, for the formation of useful information for interested parties. However, full compliance with the principles of IFRS does not contribute to the achievement of the set goal of generating useful information for investors, since both theoretical and practical problems regarding the economic content of reporting remain unresolved.

The main reasons for the appearance of IFRS in the Uzbek financial system were the desire to show the transparency of the activities of Uzbek companies, the readiness to enter the international level. The introduction of IFRS into the Uzbek accounting system and the displacement of national standards is an irreversible process.

## 2. MAIN PART

The reform of accounting and reporting in accordance with international standards, which is now taking place in Uzbekistan, is aimed at generating useful information for interested users. Reporting prepared using international standards contains more information about the company and ensures transparency of financial information. As practice shows, the use of international standards by a company in the preparation of reporting allows, firstly, to have access to international capital markets, and secondly, it can attract financing on more favorable terms. The amount of information about the company that prepares financial

statements in accordance with IFRS is sufficient for a potential investor to understand and assess the possible risks associated with financing. Thus, the use of international financial reporting standards in the formation of financial statements by an Uzbek company will increase its competitiveness in the struggle for sources of funding.

International Financial Reporting Standards (IFRS) are usually understood as “a set of generally accepted rules for qualification, recognition, assessment and disclosure of business transactions and financial indicators for the preparation of financial statements by business entities in most countries of the world. They are used by most of the world’s companies to draw up unified reporting that external users need in relation to the company to make economic decisions. The significance of IFRS lies in the fact that in a market economy it is advisable to draw up financial statements for the development of integration ties for the perception of all users in all countries of the world. The use of international standards provides new opportunities for both business and the state as a whole.

Implementation of IFRS is necessary for external and internal users of financial statements: from private companies, investors and to government regulators. First of all, there will be an improvement in the quality of financial information for decision-making, as well as there will be ample opportunities for attracting capital to the company.

International standards contain the following conceptual foundations: fundamental qualitative characteristics, the significance of the information presented, its reliability, “elements of financial statements, approaches to the valuation of assets and liabilities, the concept of capital and capital preservation”. It can be noted that the conceptual framework pursues the main goal - to make IFRS reporting as useful as possible for users. Qualitative characteristics, both fundamental and otherwise, are intended to help specialists in international standards. However, it is not worth giving priority to any one single characteristic, otherwise the information will not be useful.

Reliable reporting enables its users to predict the future cash flows of the company (including the probability and

periods of their occurrence), as well as to make effective management decisions on its basis. When drawing up the reporting, it is necessary to take into account an important assumption (in addition to the rest of the set of assumptions) - the assumption of continuity, that is, the ability of the company to continue its activities continuously. If uncertainty arises in this matter or the company plans to liquidate (having no other alternative solutions), it is obliged to disclose these circumstances in the reporting. When assessing a firm's ability to continue as a going concern, its management needs to take into account the entire amount of information available about the future for at least 12 months (but not limited to it). It may be necessary to analyze a wide range of factors related to:

- to current and future profitability;
- debt repayment calendars;
- potential sources of funding, etc.

When preparing information for reports, it is necessary to remember two groups of IFRS requirements:

- materiality (separate breakdown of material indicators);
- the nuances of offset (prohibition on reporting assets and liabilities, income and expenses on a net basis, except for situations permitted by IFRS).

Firms are required to present financial statements in accordance with IFRS at least once a year. The company is obliged to reflect the fact of a change in the end date of its reporting period and the presentation of reports for a period less or more than a year, as well as disclose the nuances of using such a reporting period (at least the basis and lack of full comparability of the amounts presented in the report). Financial statements, according to IFRS, include:

- report;
- notes;
- other explanatory information;
- comparative data for the previous period.

At the same time, IFRS allows the company to use its own report titles, in contrast to the strictly regulated by name and structure of domestic reporting. For example, "statement of profit or loss and other comprehensive income" may be abbreviated as "statement of comprehensive income".

In addition to these reports, firms can provide users with:

- financial reviews;
- explanatory reports;
- official bulletins (on environmental issues, etc.).

Reporting in IFRS format can be obtained in two ways:

- transformation of indicators formed on the basis of national accounting requirements (transformation);

- simultaneous accounting of business transactions, income and expenses, assets and liabilities in accordance with national requirements and IFRS (parallel accounting).

Transformation of reporting can be external and internal.

Unlike IFRS, Uzbek regulatory documents require the compulsory preparation of only the balance sheet and the statement of financial results. Other reporting forms may in some cases not be compiled on a mandatory basis. So small businesses are not required to draw up a statement of changes in equity, a statement of cash flows and other forms of explanations.

In order to improve financial accounting in the context of the application of international standards, it is necessary:

- abolish or streamline some regulatory requirements for the registration of certain facts of economic life with primary documents, thereby simplifying most of the workflow;

- to enable organizations to "switch to an advanced European-type Chart of Accounts, which ensures that all the necessary information required for reporting in accordance with IFRS is reflected in the accounts";

- to give organizations the right to maintain accounting based on their developed accounting policy that fully complies with the requirements of IFRS, and to abolish the requirement to maintain accounting records in accordance with Russian accounting regulations;

- to establish the Higher School of International Accounting to train qualified specialists in the application of IFRS.

Uzbek companies, in accordance with foreign experience in preparing the first financial statements under IFRS, can be recommended:

- implementation of preliminary planning of the organization of preparation of reports in accordance with international standards (drawing up orders and schedules for the preparation of the first reports, the formation of budgets for salaries of appraisers, auditors, external consultants);

- conducting personnel training in accordance with the basic principles of preparing reports in accordance with international standards, taking into account the specifics of the provisions in the part of the first application of IFRS;

- solving the issue of processing a large amount of accounting information by using automated systems scientists, spreadsheet capabilities.

After choosing an automated system, the organization's management needs to make a decision: to implement it on its own or order it from a third-party organization. Today in the IT market there are a number of software products and applications that allow you to keep records and prepare reports in accordance with IFRS.

In the case of automation by the enterprise's own resources, it becomes possible to save resources by attracting its own personnel, as well as the ability to control the implementation process. However, this is often impossible due to the lack of specialists with experience in setting up an automation system; high time costs for implementation due to lack of experience in setting up an automation system.

With the involvement of a third-party organization, the implementation of an automated system is carried out by specialists in this field. In this case, the implementing organization is responsible for the quality of the software. This option has its drawbacks:

- the need to pay for the services of a third-party organization, which is much more expensive than wages for own employees;

- difficulty in exercising control over the implementation;
- the contractor does not always understand the needs of the company.

### 3. CONCLUSION

Summarizing the above, it should be noted that reporting in accordance with international standards has already become commonplace for many Uzbek organizations, but not all organizations have automated accounting in accordance with IFRS. The introduction of an automated accounting system and the preparation of financial statements in accordance with IFRS greatly facilitate the work of the employees involved in its preparation, and also simplifies the management of the company's business. At the same time, it must be remembered that the automation process is complex and time consuming. For its successful implementation, it is necessary to think in advance about the solution of the problems characteristic of this process.

Currently, data transformation is more common in Uzbekistan, since it is cheaper and does not require highly qualified specialists. This method is especially suitable for enterprises that do not need to promptly draw up IFRS and some inaccuracies in the reporting are acceptable. Companies need to prepare tax reports in accordance with the requirements of tax legislation and only for tax purposes, and financial statements - based on the usefulness of the information reflected in them for the users of these reports.

At the government level, indicative plans of foreign economic priorities for business development should be created. At the same time, it is important to zero (or seriously reduce) taxes, develop budgetary co-financing of various business programs, and provide free consulting foreign economic support from all departments. And it should be remembered that all these programs will work only if the standards and rules of international financial accounting are observed.

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