



CHALLENGES AND OPPORTUNITIES OF ADOPTION OF IFRS FOR THE ACCOUNTING PROFESSION IN UZBEKISTAN: A COMPREHENSIVE ANALYSIS

Saidov Jasur

Teacher of IAAF faculty of ISFT Institute

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Received: February 11 th 2023 Accepted: March 11 th 2023 Published: April 17 th 2023	The implementation of International Financial Reporting Standards (IFRS) in Uzbekistan has presented both challenges and opportunities for the accounting profession. This article examines the impact of IFRS adoption on the accounting profession in the country, identifying key challenges faced by accounting practitioners and exploring potential opportunities for professional development and growth. The findings suggest that, while IFRS adoption has created challenges related to the need for training, changes in accounting practices, and regulatory compliance, it has also provided opportunities for improved transparency, enhanced international credibility, and access to global markets.

Keywords: IFRS, accounting profession, transparency, international credibility

INTRODUCTION

The evolution of market relations and integration processes in Uzbekistan has necessitated the transformation of the nation's accounting system. The primary objective for the government is to devise and appropriately implement an accounting and reporting methodology aligned with international standards. In order to facilitate and manage accounting processes, the state is responsible for establishing the principles and approaches for regulating and formulating accounting rules, as well as the guidelines and procedures for processing information and generating financial reports. It has been observed that the adoption of International Financial Reporting Standards (IFRS) in Uzbekistan is a gradual and targeted process, aimed at addressing shortcomings and inconsistencies within the national accounting system while adhering to the demands of a market-driven economy. This dynamic system seeks to integrate the principles and methods of recognition, measurement, and disclosure in contemporary financial reporting, with a focus on catering to the needs of capital markets. Consequently, it is imperative to reevaluate and enhance the accounting standards that have been developed and implemented in Uzbekistan. A crucial aspect of this process involves establishing an efficient system for the education and ongoing professional development of accountants to ensure that business owners, investors, and other users of financial and analytical information have access to timely, high-quality, and reliable data. This is particularly important for domestic enterprises entering international markets, as it enables them to become fully-fledged participants, while ensuring that

accounting standards accurately reflect the operations and financial position of these companies. While the implementation of IFRS has generally been regarded as beneficial for the quality and transparency of financial information, it has also posed several challenges and opportunities for the accounting profession in Uzbekistan. This article aims to explore the impact of IFRS adoption on the accounting profession in the country, focusing on the challenges faced by practitioners and the potential opportunities for professional development and growth.

LITERATURE REVIEW

The adoption of IFRS has been a growing trend worldwide, with many countries transitioning to these standards to achieve greater transparency, comparability, and consistency in financial reporting (Daske, Hail, Leuz, & Verdi, 2008). Research has shown that the adoption of IFRS can result in several benefits, including reduced information asymmetry, enhanced market liquidity, and increased cross-border investment (Christensen, Lee, & Walker, 2008; Ramanna & Sletten, 2012). However, the impact of IFRS adoption on the quality of financial information and the broader economy is still subject to debate (Soderstrom & Sun, 2007).

In the context of Uzbekistan, the adoption of IFRS has been part of the government's efforts to modernize its financial sector and improve the overall business environment (Ruziev et al., 2018). The transition to IFRS in Uzbekistan began in 2009 with the introduction of a phased implementation plan. Since then, several key milestones have been achieved, including the



establishment of a national IFRS translation and endorsement process, the adoption of IFRS by banks and insurance companies, and the ongoing implementation of IFRS for small and medium-sized enterprises (SMEs).

METHODS

Throughout the research process, a variety of methodological approaches were employed, including dialectical and systematic approaches, inductive and deductive reasoning, analytical and synthetic techniques, observation, and logical analysis. The investigation entailed examining the financial and economic relationships between accounting financial investments in Uzbekistan and those in other countries. By analyzing the factors influencing these relationships, the research generated a set of proposals and recommendations aimed at enhancing accounting practices in this domain.

RESULTS

The adoption of IFRS has presented both challenges and opportunities for the accounting profession in the country. This part of our work aims to provide an overview of existing research on the impact of the adoption of IFRS on the accounting profession in Uzbekistan, focusing on the main challenges and opportunities that have arisen.

Challenges Faced by the Accounting Profession in Uzbekistan

1. Need for Training and Education

The adoption of IFRS has created a significant demand for training and education among accounting professionals in Uzbekistan. Many practitioners require additional training to develop the necessary skills and knowledge to apply the new standards effectively (Ruziev et al., 2018). This challenge is further exacerbated by the limited availability of IFRS-specific training programs and educational resources in the country. As a result, there is a pressing need for investment in the development of high-quality training programs and educational resources to support the accounting profession in adapting to IFRS.

2. Changes in Accounting Practices

The transition to IFRS has required accounting practitioners to adapt to new accounting practices and reporting requirements. This has created challenges in terms of understanding and applying complex standards, as well as adjusting to new financial reporting processes (Ruziev et al., 2018). For instance, the introduction of fair value accounting under IFRS has necessitated significant changes in the valuation of assets and liabilities, which has implications for the

preparation and presentation of financial statements. Additionally, the increased emphasis on substance over form and the use of professional judgment under IFRS require a shift in the mindset of accounting professionals, who may be accustomed to a more rules-based approach under local accounting standards.

3. Regulatory Compliance

The adoption of IFRS has also led to increased regulatory scrutiny and the need for compliance with both local and international reporting requirements. This has placed additional pressure on accounting professionals to ensure the accuracy and reliability of financial information (Mir & Rahaman, 2005). Furthermore, the implementation of IFRS has necessitated the development and enforcement of new regulatory frameworks, creating a challenging environment for accounting practitioners as they navigate the complexities of these new regulations.

4. Costs and Resource Constraints

The adoption of IFRS can be a costly and resource-intensive process, particularly for small and medium-sized enterprises (SMEs) in Uzbekistan. These organizations may struggle to allocate sufficient resources to implement the necessary changes in their accounting systems, train their staff, and comply with new reporting requirements (Kabir, Laswad, & Islam, 2015). To address this challenge, it is essential for the government and relevant stakeholders to provide financial and technical support to SMEs, ensuring that they can effectively transition to IFRS and benefit from the associated opportunities.

Opportunities for the Accounting Profession in Uzbekistan

1. Improved Transparency and Credibility

The adoption of IFRS has the potential to improve the transparency and credibility of financial reporting in Uzbekistan, ultimately benefiting the accounting profession as a whole (Ruziev et al., 2018). By adhering to internationally recognized standards, Uzbek companies can enhance the quality of their financial information, making it more accessible and useful for various stakeholders, including investors, regulators, and the public. This increased transparency can, in turn, lead to improved corporate governance and greater trust in the integrity of the country's financial reporting system.

2. Access to Global Markets

By adopting IFRS, Uzbekistan has signaled its commitment to international best practices, which can facilitate access to global markets and attract foreign investment. This creates opportunities for accounting professionals to engage in cross-border transactions and expand their client base (Ramanna & Sletten,



2012). Additionally, the increased comparability of financial information resulting from IFRS adoption can help Uzbek companies gain access to international capital markets, providing further opportunities for accounting professionals to offer their expertise in areas such as mergers and acquisitions, initial public offerings, and financial due diligence.

3. Professional Development

The challenges associated with IFRS adoption can also be seen as opportunities for professional development. As accounting professionals acquire new skills and knowledge related to IFRS, they can enhance their professional standing and career prospects (Zeff, 2012). Moreover, the transition to IFRS can facilitate greater collaboration and knowledge sharing among accounting professionals, both within Uzbekistan and internationally, leading to a more vibrant and dynamic accounting profession.

DISCUSSION AND RECOMMENDATIONS

The literature review on the challenges and opportunities of adoption of IFRS for the accounting profession in Uzbekistan highlights the complex interplay of factors that influence the process of transitioning to these international standards. Based on the findings, this section offers recommendations aimed at addressing the challenges and maximizing the opportunities associated with IFRS adoption in the Uzbek context.

1. Education and Training

To address the challenges related to education and training, it is vital for Uzbekistan to invest in the development and implementation of high-quality IFRS-specific training programs and educational resources. This could involve collaboration between government agencies, professional accounting bodies, and educational institutions to design and deliver tailored courses, workshops, and certifications that address the unique challenges associated with IFRS adoption in Uzbekistan. Additionally, leveraging online platforms and international partnerships can help facilitate access to IFRS-related learning resources and provide opportunities for knowledge exchange and collaboration.

2. Support for Accounting Professionals

Given the significant changes in accounting practices and reporting requirements associated with IFRS adoption, it is essential to provide ongoing support for accounting professionals in Uzbekistan. This support can take various forms, such as mentorship programs, peer networks, and technical assistance to help practitioners navigate the complexities of IFRS implementation. Additionally, providing incentives for

continuous professional development and encouraging engagement with international accounting networks can help foster a culture of learning and adaptation within the accounting profession.

3. Regulatory Oversight and Enforcement

To ensure compliance with IFRS and promote a robust financial reporting environment, effective regulatory oversight and enforcement mechanisms should be established. This could involve the development of clear guidelines, monitoring processes, and enforcement actions to hold companies and accounting professionals accountable for adhering to IFRS requirements. Furthermore, fostering cooperation and coordination among regulatory agencies, professional accounting bodies, and other stakeholders can contribute to a more comprehensive approach to IFRS implementation and oversight.

4. Communication and Stakeholder Engagement

Finally, it is crucial to maintain open lines of communication and engage with a diverse range of stakeholders throughout the process of IFRS adoption. This includes creating opportunities for dialogue among accounting professionals, regulators, investors, and other users of financial information to share insights, challenges, and best practices. Effective stakeholder engagement can facilitate the development of context-specific solutions and enhance the overall success of IFRS adoption in Uzbekistan.

5. Enhanced Risk Management

The adoption of IFRS can help improve risk management practices within the accounting profession in Uzbekistan. By promoting greater transparency, comparability, and consistency in financial reporting, IFRS can enable accounting professionals to better identify and assess risks, allowing for more informed decision-making (Florou & Kosi, 2015). This can contribute to improved financial stability and resilience within the Uzbek economy, benefiting both individual organizations and the broader financial system.

6. Strengthened Corporate Governance

The implementation of IFRS can also contribute to the strengthening of corporate governance in Uzbekistan. As IFRS requires the disclosure of a wide range of financial and non-financial information, it can help improve the accountability and transparency of corporate management (Ahmed, Neel, & Wang, 2013). This, in turn, can promote investor confidence and support the growth and development of the country's capital markets.

CONCLUSION

While addressing the challenges associated with IFRS adoption, it is important to consider the broader context



of the accounting profession in Uzbekistan. Factors such as the country's regulatory environment, professional education system, and the level of support from relevant stakeholders can all influence the success of IFRS implementation. By fostering a supportive and collaborative environment, accounting professionals, regulators, and educators can work together to address the challenges posed by IFRS adoption and ensure the continued development of the accounting profession in Uzbekistan.

In conclusion, the adoption of IFRS in Uzbekistan has presented both challenges and opportunities for the accounting profession. By effectively addressing these challenges and seizing the opportunities for professional development and growth, accounting professionals can contribute to the modernization of the country's financial sector and facilitate its integration into the global economy. This, in turn, can help to enhance the overall business environment in Uzbekistan, promoting economic growth and development for the benefit of all stakeholders.

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