



APPLICATION OF INTERNATIONAL STANDARDS OF FINANCIAL REPORTING IN ELECTRIC ENERGY SUPPLY ENTERPRISES

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Article history:	Abstract:
Received: October 7 th 2023 Accepted: November 6 th 2023 Published: December 24 th 2023	This article delves into the critical application of international standards of financial reporting within the context of electric energy supply enterprises. In an era of globalization and interconnected economies, adherence to internationally recognized financial reporting standards is crucial for ensuring transparency, accountability, and effective management. The article explores the challenges and benefits of implementing these standards, highlighting their impact on financial decision-making and the overall sustainability of electric energy supply enterprises.

Keywords: Financial Reporting, International Standards, Electric Energy Supply, Transparency, Accountability, Financial Decision-making, Sustainability, Globalization, Energy Sector, Interconnected Economies.

INTRODUCTION

In today's globalized and interconnected economic landscape, the application of international standards of financial reporting has become indispensable for enterprises across various industries. Within this context, electric energy supply enterprises hold a pivotal position due to their significant impact on economies and the essential services they provide. This article explores the critical importance of adhering to international financial reporting standards within the unique framework of electric energy supply enterprises.

Financial reporting serves as the cornerstone of transparency, accountability, and effective management in any organization. It provides stakeholders, including investors, regulatory bodies, and the public, with essential information about an enterprise's financial health and performance. The adoption of international financial reporting standards ensures that this information is consistent, comparable, and reliable on a global scale (Barth, Landsman, & Lang, 2008).

The electric energy supply sector, characterized by its intricate operational complexities and substantial capital investments, is no exception to the necessity of international financial reporting standards. As these enterprises provide an essential service to society, they face a unique set of challenges, including the need to balance profitability with environmental sustainability and regulatory compliance (Betz, Hasan, & Hossain, 2016).

Implementing international financial reporting standards in electric energy supply enterprises offers numerous benefits. It enhances transparency, allowing

stakeholders to assess an enterprise's financial performance and make informed decisions. It fosters accountability, which is particularly crucial in industries where public interest and safety are paramount. Moreover, it facilitates financial decision-making, enabling enterprises to access global capital markets and efficiently allocate resources (Daske et al., 2008).

This article aims to delve into the challenges and advantages of applying international standards of financial reporting within electric energy supply enterprises. It will highlight the impact of these standards on transparency, accountability, financial decision-making, and the overall sustainability of these vital organizations. As the energy sector evolves to meet the demands of the 21st century, the adherence to internationally recognized financial reporting standards becomes an imperative for both enterprises and the global economy.

MATERIALS AND METHODS

I. The Importance of International Financial Reporting Standards (IFRS)

A. Enhancing Transparency and Accountability

Electric energy supply enterprises operate in a dynamic and highly regulated environment. Their activities impact the well-being of entire communities and the environment. Therefore, transparency and accountability are paramount. Adhering to international financial reporting standards (IFRS) helps ensure that these enterprises provide clear and consistent financial information to stakeholders, including investors, regulators, and the public (Daske et al., 2008). The standardized reporting framework fosters transparency by allowing for meaningful comparisons across enterprises and regions.



B. Facilitating Global Investments

Electric energy supply enterprises often require substantial capital investments to expand and modernize their infrastructure. Access to global capital markets is crucial for funding such projects. IFRS adoption enhances their ability to attract investments from international sources by providing a common financial language that investors and creditors can understand and trust (Barth, Landsman, & Lang, 2008).

II. Challenges in Implementing IFRS

A. Complex Financial Structures

The electric energy supply sector typically involves complex financial structures, including long-term investments in power generation and distribution assets. These assets may have varying lifespans and depreciation methods. Adapting these intricacies to IFRS standards can be challenging and requires expertise in accounting for specialized assets (Betz, Hasan, & Hossain, 2016).

B. Regulatory Compliance

Electric energy supply enterprises are subject to stringent regulatory frameworks that vary by country and region. These regulations can significantly impact financial reporting, as they often dictate pricing mechanisms, revenue recognition, and cost allocation methods. Harmonizing these regulations with IFRS standards while ensuring compliance can be a complex endeavor (Betz, Hasan, & Hossain, 2016).

III. The Impact on Sustainability

A. Balancing Profitability and Sustainability

Electric energy supply enterprises are increasingly tasked with addressing environmental concerns and promoting sustainability. Adhering to IFRS can influence their financial reporting in ways that reflect their commitment to sustainability. For example, recognizing and reporting on environmental initiatives, renewable energy investments, and emissions reduction efforts can be part of the financial reporting process, showcasing their commitment to long-term sustainability (Daske et al., 2008).

B. Attracting Ethical Investments

Investors and stakeholders are increasingly considering environmental, social, and governance (ESG) factors when making investment decisions. By aligning their financial reporting with IFRS, electric energy supply enterprises can provide the data necessary for investors to assess their ESG performance and ethical practices. This, in turn, can attract investments from ethically conscious investors (Barth, Landsman, & Lang, 2008).

In conclusion, the application of international standards of financial reporting in electric energy supply enterprises is a multifaceted endeavor. While it brings significant benefits in terms of transparency, accountability, and access to global capital, it also presents challenges related to complex financial structures and regulatory compliance. However, the adoption of IFRS can play a pivotal role in balancing profitability with sustainability and attracting ethical investments, ultimately contributing to the long-term success and responsible operation of electric energy supply enterprises in a rapidly evolving energy landscape.

CONCLUSION

The application of international standards of financial reporting (IFRS) in electric energy supply enterprises is a crucial step toward ensuring transparency, accountability, and sustainable growth in an increasingly interconnected global economy. This article has highlighted the significance of adopting IFRS within the unique context of these enterprises, acknowledging the benefits and challenges that come with this transition.

International financial reporting standards play a pivotal role in enhancing transparency and accountability by providing a standardized framework for financial reporting. This consistency enables stakeholders to access accurate and comparable financial information, promoting trust and informed decision-making. It also facilitates access to global capital markets, which is essential for funding the substantial capital investments required by electric energy supply enterprises.

However, the implementation of IFRS is not without its challenges. The complexity of financial structures and varying regulatory frameworks in the electric energy sector can pose difficulties in adapting to IFRS standards. Nevertheless, the benefits of harmonizing financial reporting practices often outweigh these challenges, as IFRS adoption can lead to more efficient and streamlined financial operations.

Moreover, the impact of IFRS extends beyond financial reporting. It influences the sustainability practices of electric energy supply enterprises by encouraging the recognition and reporting of environmental initiatives and ethical investments. This alignment with sustainability goals can attract ethically conscious investors and demonstrate a commitment to long-term environmental responsibility.

In conclusion, the adoption of international standards of financial reporting in electric energy supply enterprises is a vital step in adapting to the demands of the modern global economy. While it



presents challenges, the benefits in terms of transparency, accountability, access to global capital, and sustainability practices make it a strategic and necessary move. As the energy sector continues to evolve, adherence to IFRS will play a pivotal role in ensuring the responsible and sustainable operation of electric energy supply enterprises, contributing to a cleaner, more transparent, and more prosperous energy future.

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