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FOREIGN EXPERIENCES IN IMPROVING ACCOUNTING ON THE BASIS OF IFRS

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Abstract: In this article case studies cover Brazil, Germany, India, Jamaica, Kenya, Pakistan, South Africa and Turkey. These countries have taken a variety of approaches to implementing IFRS. In the case of Brazil, the implementation of IFRS will come into effect in 2010. German companies started preparing financial statements based on international accounting standards (IAS) beginning in the early 1990s. The approach in India has been to adapt IFRS to the economic realities of the country. Jamaica started implementing IFRS in 2002, while Kenya began the implementation process in 1998. Pakistan started introducing IAS issued by the International Accounting Standards Committee (the processor of the IASB) as early as in the 1970s. South Africa initiated a similar process in 1993. In Turkey, the process began in 2003. The factors that initially contributed to the introduction of IFRS in the countries covered in the case studies vary. In Brazil, the Central Bank's intention is to bring financial reporting in line with international best practice to facilitate the comparability of financial reports and fostering investor confidence. In Germany, a number of large companies began to prepare their financial statements in accordance with IAS, not because they were required by national regulators, but in order to be able to access financial markets outside Germany.

Annotatsiya: Ushbu maqolada Braziliya, Germaniya, Hindiston, Yamayka, Keniya, Pokiston, Janubiy Afrika va Turkiyani mamlakat misollarida xalqaro buxgalteriya standartlarini qo'llashi qamrab oladi. Ushbu mamlakatlar MXHSni joriy etishda turlicha yondashuvlarni qo'llashgan. Braziliya misolida MXHSni joriy etish 2010 yilda kuchga kiradi. Germaniya kompaniyalari 1990-yillarning boshidan boshlab xalqaro buxgalteriya standartlari (XBS) asosida moliyaviy hisobotlarni tayyorlashni boshlaydi. Yamayka MXHSni 2002 yilda, Keniya esa joriy etish jarayonini 1998 yilda boshlagan. Pokiston Xalqaro Buxgalteriya Standartlari Qo'mitasi tomonidan chiqarilgan IASni 1970-yillardayoq joriy qila boshladi. Janubiy Afrika 1993 yilda

shunga o'xshash jarayonni boshlagan. Turkiyada bu jarayon 2003 yilda boshlangan. Vaziyatni o'rganishda ko'rib chiqilgan mamlakatlarda MXHSni joriy etishga yordam bergan omillar turlicha. Braziliyada Markaziy bankning maqsadi moliyaviy hisobotlarni taqqoslashni osonlashtirish va investorlarning ishonchini oshirish uchun moliyaviy hisobotni ilg'or xalqaro amaliyotga moslashtirishdan iborat. Germaniyada bir qator yirik kompaniyalar moliyaviy hisobotlarni milliy tartibga soluvchi organlar tomonidan talab qilingani uchun emas, balki Germaniyadan tashqaridagi moliyaviy bozorlarga chiqish imkoniyatiga ega bo'lish uchun xalqaro buxgalteriya standartlariga muvofiq tayyorlay boshladilar.

Kalit so'zlar: Buxgalteriya hisobo, moliyaviy hisob, xalqaro standard, hisobot, xalqaro buxgalteriya standartlari, balans,

Key words: Accounting, financial accounting, international standard, report, international accounting standards, balance sheet,

Introduction

As of January 1, 2005, all listed companies in the European Union are required to prepare their financial statements in accordance with International Accounting Standards (IAS) [2]. IAS adoption by the European Union is one of the biggest events in the history of financial reporting, making IAS the most widely accepted financial accounting model in the world. In 1998, German lawmakers gave listed companies the option of preparing their consolidated financial statements in accordance with IAS. The implementation of IFRS for the preparation of consolidated financial statements of listed companies in Germany became mandatory following the decision of the European Union to implement the IAS Regulation of 2002 [3]. The case study of Germany illustrates a European-Union-wide approach to implementing IFRS. Therefore, the implementation challenges extend beyond domestic factors. The case study of Kenya shows a desire to raise national financial reporting requirements to international best practices in the aftermath of significant collapses in the country's financial services sector in the 1980s and 1990s.

The case study of Kenya also indicates another factor that was taken into consideration in deciding to adopt IAS in place of national ones. By adopting IAS, the standard-setting body intended to reallocate resources away from setting national accounting standards to strengthening other activities aimed at more effective implementation of international accounting and auditing standards. In India, the case study shows again a desire to harmonize domestic financial reporting requirements with international standards. However, in the case of India, yet another approach is taken, i.e., a programme of converging Indian accounting standards with IAS by adapting the latter to the economic reality of the country.

The case study of Jamaica also cites an intention to harmonize corporate reporting practices across countries in the Caribbean in accordance with international requirements and with the position taken by IOSCO on its endorsement of IAS.[4]

The case studies of Pakistan, South Africa and Turkey show that a desire to raise their financial reporting requirements to internationally recognized benchmarks is one of their main objectives in implementing IFRS. Furthermore, Turkey is negotiating membership with the European Union. The case study of Turkey illustrates the country's

efforts to bring its financial reporting requirements in line with those of the European Union. The case study highlights the role of IFRS in facilitating economic integration on a regional basis. In Pakistan, efforts are under way to bring the country into full compliance with IFRS by 2009. In the case of South Africa, while IFRS are adopted as they are issued by the IASB, a national-level due process is followed before an IFRS issued by the IASB takes effect in the country.

Materials and Results

In Turkey, although financial reporting standards applicable to companies whose shares are traded there are Turkish translations of IFRS, there are still certain differences between the two. The extent of the application of IFRS in the countries included in the case studies varies from one country to another. As discussed earlier, in Brazil, financial institutions and listed companies are required to follow national standards that are gradually being converged with IFRS.

In the case of Germany, listed companies are required to apply IFRS for preparing their consolidated financial statements. Non-listed companies are also allowed to use IFRS for the preparation of their group financial statements. However, both listed and non-listed companies are prohibited from using IFRS for preparing their individual (separate) financial statements.[5]

Currently, the role of accounting schools in theoretical organization and improvement of national accounting systems in one or another country in the world is incomparable. It is noted that there are four main schools in the world, the main aspects of which are described in the following table (Table 1):

Each of these schools has its own characteristics, and they have different approaches to the same problem of arithmetic. For example, the purpose of accounting in the Italian school is to control economic processes, in the French school - to use the company's funds efficiently, in the German school

- the development of cost-effective accounting methods, in the Anglo-American school - interprets it as the behavior of the administration. Also, when it comes to the scientific basis of accounting science, in the Italian school - the science of law, in the French school - the science of economic theory, in the German school - the science of mathematics, and in the Anglo-American school - the science of psychology. [8]

Table - 1

**Description of the three main accounting schools of Italy,
French and Germany**

№	Account problems	By different schools of accounting resolution of the issue		
		Italy	French	German
1	The purpose of the account	Control of persons involved in the economic process	Efficiency of use of enterprise resources	Rational accounting procedures

2	The purpose of the account	Rights and obligations of individuals	Resources	development
3	The object of the account	Documents	Riches	Procedure
4	Basic science	Right	Economic theory	Riches
5	Balance (contents)	Law and law	Equality of inputs and outputs (cost and income).	Mathematics
6	Balance (relative to accounts)	Derived from Schyot	Derived from Schyot	Debit and credit balance equal
7	Grade	Selling price	Cost	Derived from Schyot
8	Accounts by content	Personal only (account)	Only inventory and operation	Active-passive
9	According to the composition and purpose of accounts	A series	A series	Two lines
10	The reason for the double entry	Changes in rights and obligations	Exchange of wealth	It comes from balance
11	Method	Induction	Induction	Deduction

In Jamaica and Kenya, all listed and non-listed companies are required to prepare their financial statements – both consolidated and non-consolidated – in accordance with IFRS. In India, there is a three-tier system of classification of entities (level I, II and III). Those in the first-tier are required to apply IFRS, as adapted for the country. The remaining two tiers are composed of small and medium-sized enterprises (SMEs). The reporting system allows certain simplifications and exceptions with respect to Level II and III entities. [9]

In Pakistan, there is a three-tiered approach, similar to the one adopted by ISAR. IFRS adopted in Pakistan are applicable to listed companies only. The Institute of Chartered Accountants of Pakistan has developed separate guidance on accounting and financial reporting for SMEs. In South Africa, IFRS are applicable to listed companies whose shares are widely circulated. The country is considering recommending early adoption of draft IFRS for SMEs issued by the IASB in 2007 as a transitional measure. In Turkey, IFRS adopted in the country are applicable only to listed companies whose securities are widely held. The Turkish Accounting Standards Board has been working towards developing financial reporting guidance for SMEs, which is expected to be in line with the exposure draft of IFRS for SMEs issued by the IASB.

There are long-established laws and regulations governing corporate reporting, including parliamentary legislation on, among others, commercial codes and company

acts. There are also a number of sector-specific regulations and institutions covering areas such as banking and insurance. For example, in Brazil, Germany and Turkey, regulation on corporate financial reporting is strongly linked to the legislative system. As a result, the introduction of new reporting systems or amendments to existing ones requires significant consultation and processing through the legislative system. In the case studies of India, Jamaica, Kenya, Pakistan and South Africa, the professional accountancy bodies, i.e., the institutes of chartered accountants in India, Jamaica, Pakistan and South Africa and the Institute of Certified Public Accountants in Kenya play a central role in the setting of accounting standards or the implementation of IFRS and ISAs. [11]

The legislative systems in these countries delegated the task of standard-setting in the areas of accounting and auditing to these private sector institutions. On the other hand, the case study of Turkey indicates that the Capital Markets Board and subsequently the Turkish Accounting Standards Board led the IFRS implementation process. New German institutions have been established in recent years with significant responsibilities in the areas of corporate financial reporting.

These are the German Accounting Standards Committee (and its standard-setting branch the German Accounting Standards Board), the German Financial Reporting Enforcement Panel and the Federal Financial Supervisory Authority. The latter two were established following the passing of the Accounting Enforcement Act of 2004. In Brazil, the proposed amendments to the current Corporate Act call for the establishment of a single entity responsible for preparing and issuing accounting standards. In South Africa, the case study shows that the country envisages the establishment of a financial reporting investigation panel to improve the reliability of financial reports by investigating reported non-compliance with financial reporting standards and recommending measures for rectification or restitution. In the case of Pakistan, the Off-Site Supervision and Enforcement Department has been established to strengthen the enforcement activities of the State Bank of Pakistan.

Conclusion

These provide examples of the types of new institutional developments that are needed for the proper implementation and enforcement of IFRS. The country case studies illustrate a number of practical challenges faced by these countries in implementing IFRS. These issues can be grouped into three main areas: institutional, enforcement and technical.

When IFRS are introduced in a given jurisdiction, they form part of the pre-existing laws and regulations in the country pertaining to the governance of business entities. The case study of Jamaica shows a large number of regulatory institutions that have a bearing on the implementation of financial reporting standards. Often, laws and regulations overlap or become inconsistent with each other, especially when the roles and responsibilities of different institutions are not clearly defined and coordination mechanisms are not in place. Lack of coherence in the regulatory system becomes cause for serious misunderstandings and inefficiency in the implementation of IFRS.

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