

Prospects for the preparation of financial statements in the field of electricity in accordance with IFRS

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Abstract: This article describes the prospects and significance of financial statements prepared on the basis of IFRS in the electricity sector in our country, the preparatory work and legal framework, the advantages of financial reporting in accordance with IFRS, current problems of IFRS in the electricity sector and ways to solve them.

Keywords: Financial reporting, financial information, electricity, IFRS, accounting, investment, corporation.

INTRODUCTION

Uzbekistan's success in achieving energy independence is well known. Thus, electricity generation in Uzbekistan in 2000-2017 annually averaged 50-57 billion kWh. Major projects have been developed and are being implemented to modernize the industry, aimed both at increasing the production of electricity and at its efficient, rational use. With the development of the economy, the improvement of the social sphere, the growth of well-being and living

standards of the population, the need for energy supply also increases. And this requires an accelerated reform of the energy sector and the determination of a further strategy for its development. At the same time, in recent years, consistent work has been carried out on the integrated development of the fuel and energy industry and the diversification of energy sources, which are an important factor in meeting the ever-increasing demand for energy resources.

The progress of any country, including in the development of energy, is largely determined by the use of the achievements of science, technology and new technologies. The implementation of the innovation vector in the fuel and energy complex of the republic in the long term ensures the fulfillment of tasks within the framework of the Development Strategy and harmoniously fits into the projected socio-economic development of the country. In particular, in connection with the constant growth in demand for electricity in the long term, the power engineers of Uzbekistan have been tasked with bringing its generation to 110 billion kWh by 2030 and the installed capacity of power plants to 20,000 MW.

Integration into the world economy and the intensity of globalization processes require the organization and behavior of national companies, including enterprises in the electricity sector, in accordance with international standards. Meeting the energy needs of the economy and the population of the republic, creating favorable conditions for the development of healthy competition, introducing modern digital technologies and advanced management methods based on generally recognized international practice, accelerating the development of the energy industry and increasing the investment attractiveness of the energy industry cannot be imagined without a unified financial and accounting system, in line with international standards and practices.

Ensuring compliance with international standards, in particular, compliance of financial statements with international standards, makes it possible to assess, through the use of data, the growth trend dynamics and compare at the micro and macro levels, improve data quality along with minimizing misinterpretations, differences in the information provided. This will allow the government to develop long-term plans, evaluate the future of the company, prevent uncertainties in the development of new strategies, make the necessary decisions for investors and partners, and specifically assess the prospects for cooperation and improve the development of measures and government programs necessary to improve efficiency and implement clear long-term plans.

Two years have passed since the date of issue of the Decree of the President of the Republic of Uzbekistan No. PP-4611 dated February 24, 2020 “On additional measures for the transition to international financial reporting standards”, which, recall, established that joint-stock companies, commercial banks, insurance organizations and legal entities classified as large taxpayers from January 1, 2021 organize accounting and, starting from the results of 2021, prepare financial statements based on IFRS, with the exception of legal entities for which the legislation provides for an earlier deadline for the transition to IFRS.

IFRS is a set of rules that determine how companies keep financial records, what business transactions to reflect in it and how to prepare reports. Unlike national accounting standards,

which strictly regulate the ways of maintaining and preparing financial statements, IFRS describes only the principles of its preparation. IFRS do not contain a clear chart of accounts, they do not have a primary, a list of transactions or strict rules for financial accounting. This is the plus of IFRS - they greatly facilitate the work of accountants, managers and allow the standards to be applied around the world.

Analysis of the relevant literature.

The energy sector plays a key role in the global economy and more and more companies are now entering the foreign market, and some are starting to operate globally. The implementation of IFRS offers significant long-term benefits to many energy companies, but it also poses significant challenges. The energy sector is characterized by the need for significant investments in the preliminary period, which is often accompanied by uncertainty about possible results in the long term. Difficulties arising in the areas of geopolitics, environmental protection, energy and natural resource supply, and trade, combined with the complex relationships of companies with stakeholders and other enterprises, mean that the transition to IFRS requires some complex judgments in relation to the implementation of new standards.

International Financial Reporting Standards (IFRS) have been recognized by the world community as a kind of standard for the formation and presentation of financial statements of organizations. Today, their use is an element of the prestige of large corporations and individual states. The application by an organization in its activities of international reporting rules contributes not only to the openness and more informative reporting data, but also provides the company with a higher rating, strengthens its competitiveness.

Using international financial reporting standards, large construction organizations improve their image by pursuing a policy of information transparency of financial reporting in relation to stakeholders, which, of course, increases their credibility. Preparation of financial statements in accordance with IFRS is becoming a practical necessity and a condition for investors and creditors, suppliers and customers to trust energy generating organizations.

In the modern world, IFRS are gradually becoming a kind of key to the international capital market. An organization that can submit relevant reports gets access to the sources of funds necessary for development. If it does not have the required reporting, then, from the point of view of a Western investor, it is not credible and cannot be considered competitive.

For a number of years, a set of measures has been carried out in developed countries to reform the accounting system in accordance with the needs of the development of a market economy, the main instrument of which is International Financial Reporting Standards (IFRS). At present, the practice of many developed holding companies, in most of the mining and processing industries (oil and gas, metallurgy, engineering, etc.), has included the preparation of consolidated financial statements in accordance with international standards, providing interested users with reliable information about the financial position and financial results of the holding, on the basis of which it is possible to make effective economic decisions about a group of interrelated companies as a single economic entity.

Financial statements prepared in accordance with International Financial Reporting Standards (IFRS) are the best way to meet the information needs of its users. It provides investors and other stakeholders with fairly reliable and understandable information about the organization. As a result, such an organization becomes informationally transparent for business counterparties and society as a whole, which significantly reduces the uncertainty and risks of interaction with the organization, and, therefore, makes it competitive in the struggle for additional financial resources.

Consolidated financial statements are considered as a kind of financial statements, which are intended to characterize the financial position and financial performance of a group of economic entities, based on control relations.

International economic integration can be viewed as a set of processes, each of which has more specific goals. Integration can be decomposed into processes that occur at the macro level within a state, region, group of countries and pursue general economic goals, for example, ensuring more reliable defense capability through participation in an integration education or social ones, by creating conditions for labor migration. On the other hand, it is possible to single out processes that arise at the micro level and have microeconomic goals, for example, reducing the cost of production through the creation of joint ventures. In other words, the mutual adjustment of national economies is made up of many constantly developing relationships in different fields of activity. An important place among them is occupied by the field of accounting.

The relationship of economic and integration processes with accounting determines the need for intensive theoretical study of the formation of mechanisms for its implementation and control over their functioning. The solution of this problem becomes all the more urgent because the modern development of the world economy is associated with overcoming the objective limitations of the functioning of the economic mechanism, manifested through more frequent economic crises.

The revision of traditional approaches to the regulation and self-regulation of the economy should provide for the creation of a more advanced economic mechanism capable of not only bringing the world economy to a state of macroeconomic equilibrium, but, above all, preventing significant deviations from the equilibrium state and crisis phenomena, and minimizing opportunities. The spread that International Financial Reporting Standards have received in recent years indicates that the harmonization of accounting and reporting rules is not only aimed at optimizing the process of preparing financial statements, but significantly goes beyond them, solving global economic problems (including lack of resources, the crisis of overproduction, the decline in the dynamics of development, etc.). However, the whole range of issues related to the analysis of the qualitative characteristics of IFRS and the systematization of the methods of their application has not yet been subjected to the necessary scientific and practical research. Hence, a systematic study of theoretical and practical issues of the formation of a global integration model for the preparation and dissemination of financial information based on IFRS, i.e. set of requirements for the process of preparation,

dissemination, confirmation and analysis of financial information is an important scientific problem.

The introduction of IFRS makes it possible to consistently eliminate the shortcomings and inconsistencies of the domestic accounting system with the demands of a market economy without violating the integrity of this system. In addition, the use of IFRS contributes to the improvement of the Russian system of accounting information through the use of uniform accounting methods for managing business activities, provides managers with such information that significantly increases management efficiency, makes it possible to competently communicate with shareholders and the market, increases the transparency of the company, strengthens the system of corporate behavior. In addition, the use of IFRS improves the business climate in the country and strengthens the sense of confidence among entrepreneurs. Business entities have the opportunity to increase the competitiveness of the enterprise by providing reliable and transparent information to interested users. Investors can get information, thanks to which it is possible to evaluate the object of possible investments.

At present, the importance of International Financial Reporting Standards has increased significantly throughout the world. IFRS not only summarize the experience of leading economically developed countries, but also actively influence the development of national accounting and reporting systems, both through the direct implementation of IFRS into national practice, and through the convergence of the requirements of international and national standards. Many countries are beginning to use IFRS as a basis for compiling financial statements of companies, as it helps to increase the transparency of reporting, improve its quality, reduce the cost of raising capital, initiate a flow of investments.

The main prerequisite for the creation of a universal accounting system was the active development of business in global markets. At that time, companies used different accounting principles adopted in their country. For example, in the Russian Federation it is PBU (Accounting Principles), Canada has its own GAAP (Generally Accepted Accounting Principles), and in the USA there have been and remain US GAAP (US General Accounting Principles). This diversity in standards prevented investors from comparing the financial results of companies from different countries and made it difficult to do business in the international arena. To avoid confusion, the IFRS Foundation decided to create a universal "language" of accounting for companies around the world. The application of IFRS allowed businesses to reduce the cost of raising capital and enter foreign markets

Economists A.Karimov, I.Kuziev and M.Rahimov noted the following: the transition to international standards of financial reporting, the expansion of future activities through a comparative study and objective assessment of the economic, property and financial condition of enterprises and organizations, their financial performance; seeking resources, attracting capital from international financial institutions.

In our opinion, International Financial Reporting Standards have always been positioned as the basis for providing users of financial statements with economic information. These standards are created only to best adapt this information for making economic decisions by an unlimited number of users. The IFRS system has never burdened itself with any other tasks, and the

direction of resolving any issues has always been clear and definite. In such circumstances, IFRS have proven to be the best basis for creating useful economic information.

Since the development of international standards took place in a market economy, it should be noted the great value of financial statements prepared in accordance with international financial reporting standards for users related to management and investment. Financial statements prepared in accordance with IFRS are an integral part of the investment activities of many organizations operating in the international market.

Research methodology.

Logical observation in the processing of research data, critical study of the literature, induction and deduction, system analysis, economic analysis, comparative methods, analysis and synthesis, grouping, expert evaluation, comparative comparison, study of statistical data, abstract-logical thinking, targeted development methods used. Opinions and comments of foreign economists and researchers on international financial reporting standards have been scientifically and practically analyzed and conclusions have been drawn based on the results.

Analysis and results.

IFRS is used by companies from all over the world, in most of Europe, Asia and South America. Some countries apply international standards on a mandatory basis as national accounting requirements. Others, which have their own accounting standards, use IFRS as a universal approach to financial reporting. Universal standards are applied by those companies that conduct international business or invest in it. For the owners and management of companies, data from IFRS reporting allows them to "scan" the state of the business and make informed decisions: financial and managerial. For investors, IFRS reporting helps to assess the transparency of business practices in an organization, calculate the cost of investments and possible risks of an investment project.

What other benefits do companies get when they switch to IFRS: the ability to enter global stock markets and take cheaper loans from foreign banks; the cost of raising capital is reduced; the cost of reporting is reduced (especially when it comes to consolidating the financial statements of companies from different countries) becomes more transparent, understandable and easily comparable reporting contains reliable information about the financial position of the company, for which it is highly valued by users (business owners, investors, creditors, regulatory authorities, etc.)

It is easier for the company's management to trace the connection between the data in the reporting and real events, and make effective decisions based on them. IFRS summarize the experience of accounting and reporting in many market economy countries. This makes it possible to develop new national reporting standards faster and cheaper on their basis. Each country has its own list of enterprises that are required to apply IFRS.

Currently, more and more companies are entering the foreign market, and some are beginning to carry out their operations at the global level. The implementation of IFRS offers significant long-term benefits to many energy companies, but it also poses significant challenges. The

energy sector is characterized by the need for significant investments in the preliminary period, which is often accompanied by uncertainty about possible results in the long term. Difficulties arising in the areas of geopolitics, environmental protection, energy and natural resource supply, and trade, combined with the complex relationships of companies with stakeholders and other enterprises, mean that the transition to IFRS requires some complex judgements in relation to the implementation of new standards.

An analysis of the state of implementation of IFRS in the accounting practice of companies in the energy industry of the world shows a trend to reduce the manipulation of profits and concealment of business results and the positive effect of the use of international standards. So, in 2020, IFRS are allowed or mandatory for application in more than 160 countries of the world, including in energy companies that are, by their form of ownership, both listed companies (more than 80) and non-listed (30).

In the process of developing the plan for the transition to IFRS, the consultants analyzed the following data on the financial and economic activities of the enterprise and its subsidiaries:

Databases from the following accounting programs used for automated accounting, provided on 01/01/2022:

Table 1:

Used configurations of the 1C platform by the enterprises of the Group.

No	Name of the Group company	Configuration	Platform
1.	JSC "Thermal Power Plants"	ZAYD Group LLC	"1C: Enterprise" 8.3
2.	LLC "O'ZENERGOSOZLASH"	ZAYD Group LLC	"1C: Enterprise" 8.3
3.	JSC "Tashkent TPP"	ZAYD Group LLC	"1C: Enterprise" 8.3
4.	JSC "Talimarjan TPP"	ZAYD Group LLC	"1C: Enterprise" 8.3
5.	UE "Directorate for the construction of the Turakurgan TPP"	ZAYD Group LLC	"1C: Enterprise" 8.3
6.	JSC "Syrdarya TPP"	ZAYD Group LLC	"1C: Enterprise" 8.3
7.	JSC "Navoi TPP"	ZAYD Group LLC	"1C: Enterprise" 8.3
8.	JSC "Takhiatash TPP"	ZAYD Group LLC	"1C: Enterprise" 8.3
9.	Mubarek CHP JSC	ZAYD Group LLC	"1C: Enterprise" 8.3
10.	JSC "Fergana CHPP"	ZAYD Group LLC	"1C: Enterprise" 8.3
11.	JSC "Tashkent CHP"	ZAYD Group LLC	"1C: Enterprise" 8.3
12.		ZAYD Group LLC	"1C: Enterprise" 8.3

	JSC "Uzenergotaminlash"		
13.	JSC "Uzbekenergotamir"	ZAYD Group LLC	"1C: Enterprise" 8.3

1. NAS financial statements for 2019 and 2020 of the Enterprise and subsidiaries;
2. Tax reporting on income tax for 2019 and 2020 of the Enterprise and subsidiaries;
3. Intradepartmental reporting (FD) for 2019 and 2020 of the Enterprise and subsidiaries;
4. Accounting policy for the purposes of accounting in accordance with the NAS of the Republic of Uzbekistan and for the purposes of taxation of the Enterprise;
5. Regulations of the remuneration system (collective agreement, regulation on the procedure for remuneration, list of orders and instructions governing payments to personnel, etc.) Enterprises
6. IFRS financial statements of the following Group entities, published on the relevant resources in accordance with the Law "On Joint Stock Companies and Protection of Shareholders' Rights" for the most recent reporting period in which they were presented:
 - Navoi TPP JSC for 2020 (a set of financial statements does not comply with the requirements of IFRS (IAS) 1, the auditor's report of BALANS-INFORM-AUDIT LLC dated May 12, 2021)
 - Syrdarya TPP JSC for 2020 (full set of financial statements in accordance with IAS 1, audit report of KOMIL-ISHONCH LLC dated April 30, 2021);
 - JSC "Talimarjan TPP" for 2020 (a set of financial statements does not comply with the requirements of IFRS (IAS) 1, the auditor's report of JSC "XB FINANSE KONSULTING" LLC dated 09.03.2021
 - JSC "Takhiatash TPP" for 2020 (the set of financial statements does not comply with the requirements of IFRS (IAS) 1, the auditor's report of JSC "NAZORAT-AUDIT" LLC dated April 30, 2021);
 - JSC "Tashkent CHPP" for 2020 (a set of financial statements does not comply with the requirements of IFRS (IAS) 1, the audit report of JSC LLC "NAZORAT-AUDIT", no date);
 - JSC "Tashkent TPP" for 2020 (a set of financial statements does not comply with the requirements of IFRS (IAS) 1, the auditor's report of JSC "BALANS-INFORM-AUDIT" LLC dated 20.05.2021);
 - Mubarek CHPP JSC for 2020 (full set of financial statements in accordance with IAS 1, audit report of NEWGLOPALPROFESSIONAL LLC JSC.
 - Fergana CHPP JSC for 2020 (full set of financial statements in accordance with IAS 1, audit report of NAZORAT-AUDIT LLC dated April 14, 2021);

- JSC "Uzenergota'minlash" for 2020 (a set of financial statements does not comply with the requirements of IFRS (IAS) 1, the audit report of JSC "NAZORAT-AUDIT" LLC dated April 28, 2021);

Also, in the course of emerging issues, oral explanations were received from the personnel of the accounting service of the Enterprise.

Based on the results of the analysis, the following phased plan for the transition to IFRS is recommended:

Table 2.

A phased plan for the transition to IFRS.

A phased plan for the transition to IFRS.

№	Stage name	Implementation period*
Stage 1: Preliminary preparations for the creation and implementation of a unified accounting configuration (a unified automated accounting system for a separate Group company) and a Group data management platform for the purposes of preparing the Group's consolidated financial statements		
1.1	General issues and approaches to the implementation of the tasks of organizing accounting in accordance with IFRS and preparing tax and first financial statements in accordance with IFRS. during the entire period of implementation of work under the Plan for the transition of accounting of the Group of Enterprises of TES JSC to accounting and tax accounting in accordance with IFRS	during the entire period of implementation of work under the Plan for the transition of accounting of the Group of Enterprises of TES JSC to accounting and tax accounting in accordance with IFRS
1.2	Creation of a technical base for the adaptation and implementation of a unified accounting configuration and data management platform of the Group for the purposes of consolidation and its support service	during the period of implementation of work on Stage 1
1.3	Restructuring of the departments of the accounting service of TES JSC and its subsidiaries and organizations in accordance with the recommendations of IFRS consultants	during the period of implementation of work on Stage 1

Stage 2: Creation of a single standard accounting configuration (unified automated accounting system for a separate Group company) and a comprehensive solution for the purposes of preparing the Group's consolidated financial statements**		
2.1	Development of a single standard accounting configuration (unified automated accounting system) for the purposes of accounting and tax accounting in accordance with IFRS by a separate company of the Group	until January 10, 2022
2.1.1	Development of a unified chart of accounts for accounting under IFRS and a unified chart of accounts for tax accounting.	until June 30, 2022
2.1.2	fixed assets	until 15 July 2022
2.1.3	Intangible assets	until July 30, 2022
2.1.4	Advances issued to suppliers in foreign currency	until August 16, 2022
2.1.5	Employee vacation and bonus liabilities	until August 31, 2022
2.1.6	Credits and loans received and issued	until September 20, 2022
2.1.7	Revenue	until October 04, 2022
2.1.8	Right-of-use assets and lease liabilities up to 18 October 2022	until October 18, 2022
2.1.9	Cost and expenses of the period	until November 01, 2022
2.1.10	Related party transactions	until December 01, 2022
2.1.11	Accounting policy of a subsidiary of the Group (draft document)	until December 15, 2022
2.1.12	Uniform accounting policy of the Group (preliminary version of the document)	until December 31, 2022
2.1.13	Preparation of the opening balance by all enterprises of the Group in accordance	until January 10, 2022

	with IFRS as of 01/01/2022 (separate reporting)	
2.2	Development of a comprehensive automated solution for the purposes of preparing the Group's consolidated financial statements	until February 28, 2022
2.2.1	Analysis of accounting areas and development of control procedures for entering and summarizing information for the purposes of preparing consolidated financial statements in accordance with IFRS based on reference corporate classifiers	until January 31, 2022
2.2.2	Preparation of the opening balance by all enterprises of the Group in accordance with IFRS as of 01/01/2022 (consolidated statements)	until January 31, 2022
2.3	Training of personnel of the accounting services of the Group's enterprises	
Stage 3: Pilot implementation of a unified accounting configuration (unified automated accounting system) and a comprehensive automated solution for the purposes of preparing the Group's consolidated IFRS financial statements		
3.1	Pilot implementation of a unified unified automated accounting system (JSC "TPP", JSC "Tashkent CHP" and JSC "Tashkent TPP")	January 2022 - February 2023
3.1.1	Maintenance of accounting and preparation of quarterly reports. Adaptation of a unified unified automated accounting system for the purposes of accounting and tax accounting in accordance with IFRS (JSC TPP, JSC Tashkent CHP and JSC Tashkent TPP) until April 20, 2022	until April 20, 2022
3.1.2	Accompanying accounting and preparation of separate annual reports. Adaptation of a unified unified automated accounting system for the purposes of	until February 15, 2023

	accounting and tax accounting in accordance with IFRS (JSC TPP, JSC Tashkent CHP and JSC Tashkent TPP)	
3.1.3	Accounting policy of a subsidiary of the Group (final document)	until February 15, 2023
3.2	Pilot implementation of a comprehensive automated solution for the purposes of preparing the consolidated financial statements of the Group under IFRS (JSC TPP, JSC Tashkent CHP and JSC Tashkent TPP)	March 2022 - February 2023
3.2.1	Adaptation (debugging, additional settings, etc.) of the regulations for the submission (upload) of accounting data by the Group's enterprise and the corresponding regulatory forms of reports	until February 15, 2023
3.2.2	Support in the preparation of preliminary consolidated financial statements in accordance with IFRS for 2022.	until February 15, 2023
3.2.3	Uniform accounting policy of the Group (final version of the document)	until February 15, 2023
Stage 4: Completion of the process of implementing a unified accounting configuration (unified automated accounting system) and a comprehensive automated solution for the purposes of preparing the Group's consolidated IFRS financial statements		
4.1	Full implementation of a unified accounting configuration (unified automated accounting system)	until February 15, 2024
4.1.1	Maintenance of accounting and preparation of quarterly reports by other subsidiaries	until April 20, 2023
4.1.2	Maintenance of accounting and preparation of separate annual reports by other subsidiaries	until February 15, 2024
4.2	Completion of the process of implementing a comprehensive automated solution for the purposes of	until February 15, 2024

	preparing the Group's consolidated IFRS financial statements	
4.2.1	Support in the preparation of the Group's consolidated financial statements for 2023	until February 15, 2024

Stages of transformation of reporting into IFRS format

The first stage is a generalization and comparison of the requirements of Uzbek legislation with the provisions of IFRS for the formation of financial statements. This requires a detailed study and comparison of the requirements of NAS with IFRS (IAS) 1 “Presentation of Financial Statements”, IFRS (IAS) 7 “Statement of Cash Flows”, IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The study of these materials will make it possible to identify discrepancies in the formation of financial reporting indicators necessary for adjusting financial statements in the IFRS format.

The second stage is an analysis of the features of the organization of accounting at a particular enterprise: accounting accounts and requirements for the formation of financial statements, accounting policies according to NAS. The accounting policy of an organization is the set of accounting methods adopted by it: primary observation, cost measurement, current grouping and final generalization of the facts of economic activity

Based on the results of the analysis of the accounting policy of the organization, such areas of accounting are identified that require special attention, and the main directions for further work are determined.

The third stage - on the basis of the analysis carried out at the second stage, an accounting policy is drawn up according to IFRS.

The fourth stage is the identification of discrepancies in the organization of accounting and accounting policies in accordance with IFRS, compiled for the Company, in order to form a list of corrective entries. Specific sections of the company's accounting policy are compared, compliance with the requirements and principles of IFRS is checked. A significant amount of attention is paid to compliance with the underlying assumptions of IFRS: accruals and going concern.

The fifth stage is the adjustment and reclassification of financial statements in accordance with NAS, the formation of trial financial statements in accordance with IFRS, explanations to the financial statements. Corrective entries are drawn up, which, in terms of their economic

content, must comply with the fundamental assumptions, principles, features and limitations of IFRS and which bring the value of each account in terms of economic content and quantitative value to the level of the requirements of international accounting standards.

Reclassification is the movement of data from one reporting line item to another, often without changing the amount of the line item. An example is the reclassification of the short-term portion of long-term loans. In financial statements prepared in accordance with IFRS, they will be reflected as current liabilities.

The sixth stage is transformation, adjustment of reporting indicators taking into account inflation.

The seventh stage is the translation of the generated financial statements under IFRS into another foreign currency. The rules for accounting for changes in foreign exchange rates are established by IAS 21 The Effects of Changes in Foreign Exchange Rates.

Reporting using the transformation method can be implemented both on its own and with the involvement of third-party specialists

Initial transition to IFRS

On initial transition to IFRS, the rules of IFRS 1 First-time Adoption of IFRSs must be applied, which requires a full retrospective approach (ie, as if IFRS had always been applied by the entity)

This will require:

1. Recognize all assets and liabilities whose recognition is required by IFRS.
2. Derecognise all assets and liabilities that are prohibited by IFRS.
3. Regroup (reclassify) all reporting items in accordance with IFRS.
4. Revalue all assets and liabilities in accordance with IFRS.

On initial transition to IFRS, all adjustments are made to retained earnings at the date of transition (on the opening balance sheet). The date of transition to IFRS is the date two years before the reporting date. The precise definition of the transition date in IFRS 1 is: “the beginning of the earliest period for which an entity presents full IFRS comparative information in its first IFRS financial statements”.

IFRS requires the presentation of all line items with their respective historical comparatives both on the face of the statements and in the notes. Not a single figure can be presented without being accompanied by similar information for the previous similar period (respectively, a year, half a year or a quarter).

It is required to use a single accounting policy for all periods presented in the first IFRS financial statements.

The main steps to be taken for a systematic transition to IFRS:



Exceptions on initial application of IFRS

IFRS allow "voluntary exceptions" to IFRS 1's hindsight approach, while keeping in mind that full hindsight is still the general rule. Such exemptions may apply in the following areas:

- business combination;
- fair value as estimated cost;
- total translational difference in foreign currency;
- employee benefits;
- combined financial instruments;
- subsidiaries, associated companies, joint companies.
- There are "mandatory exceptions" to the retrospective approach: hedge accounting;
- derecognition of financial assets and liabilities;
- assessments.

IFRS is a whole system of documents that includes: International Financial Reporting Standards (IFRS) International Accounting Standards (IAS) Interpretations to IFRS (Interpretations of International Accounting Standards, IAS) - they reveal the essence of the standards and ensure uniformity in their application. There is another important document - the Conceptual Framework for Financial Reporting. They are not part of IFRS, but are used in their development. The Conceptual Framework describes the purpose of financial reporting, the definition of its elements and the requirements for the quality of financial information. The IASB is primarily guided by the conceptual framework when creating new standards and updating existing ones. They are also used by private companies to determine accounting methods, if there are no specific guidelines in the standards.

In our opinion, the transformation of the financial statements of Uzbek enterprises in accordance with the requirements of international standards has become increasingly important in recent times.

First, in the modern world, IFRS are gradually becoming a kind of key to the international capital market. An organization that can submit relevant reports gets access to the sources of funds necessary for development. If it does not have the required reporting, then, from the point of view of a Western investor, it is not trustworthy and cannot be considered competitive.

Secondly, international practice shows that reporting, transformed in accordance with IFRS, is highly informative and useful for users.

Thirdly, there are a large number of subsidiaries of economic activity with foreign investments in the Uzbek market, which need transformed financial statements to be included in the consolidated statements of parent organizations.

At present, the practice of many Uzbek companies, in most of the mining and processing industries (oil and gas, metallurgy, engineering, etc.), has included the preparation of consolidated financial statements in accordance with international standards, providing interested users with reliable information about the financial position and financial results of the holding, based on which it is possible to make effective economic decisions about a group of interrelated companies as a single economic entity.

Taking into account the strategic goals of the reforms being carried out in our country, it is necessary to introduce a unified energy industry standardization system, deeply studying the practical experience of developed and developing countries in order to implement international financial reporting standards, taking into account the national peculiarities of the regulatory framework and the specifics of the country's energy sector. In this regard, it is necessary to study the mechanism for implementing international financial reporting standards in the energy sector, taking into account the following.

At the present stage, due to the openness of the national economy, the interdependence of states in the optimal and efficient use of energy resources and the deepening of the global economic system, the requirements for improving accounting in accordance with international financial reporting standards for the energy industry are increasing.

In this regard, the current stage of improving the financial reporting system for the energy sector emphasizes the need to study the mechanisms for the application and use of financial reporting in accordance with international standards of developed and developing countries.

Conclusions and offers:

On the basis of the preparation of financial statements based on IFRS, the following efficiency can be achieved at electric grid enterprises:

1. Decree of the President of the Republic of Uzbekistan No. PP-4611 dated February 24, 2020 “On additional measures for the transition to international financial reporting standards” and many other regulatory documents on international financial reporting and international

investment, tasks to expand access to international financial markets, and also improving the system of training specialists in the field of accounting and auditing in accordance with international standards shows that this task is still relevant.

2. Taking into account the strategic goals of the reforms being carried out in our country, it is necessary to introduce a unified energy industry standardization system, deeply studying the practical experience of developed and developing countries in order to implement international financial reporting standards, taking into account the national peculiarities of the regulatory framework and the specifics of the country's energy sector. In this regard, it is necessary to study the mechanism for implementing international financial reporting standards in the energy sector, taking into account the following.

3. At the present stage, due to the openness of the national economy, the interdependence of states in the optimal and efficient use of energy resources and the deepening of the global economic system, there are increasing requirements for improving accounting in accordance with international financial reporting standards for the energy industry.

4. In this regard, the current stage of improving the financial reporting system for the energy sector emphasizes the need to study the mechanisms for the application and use of financial reporting in accordance with international standards of developed and developing countries.

5. The main models of existing accounting systems, depending on regional, economic, political and social characteristics, as well as the system for implementing internationally recognized financial reporting standards in various countries.

6. IFRS will be developed on a principled basis in the future, and detailed guidance on their use does not exist. In this case, it is necessary to pay attention to the creation of a Central National Authority that would take over the responsibility for managing the process of implementation and further application of IFRS, and to constantly contact the IFRS Board regarding the correct interpretation of IFRS.

7. The regulatory environment for the energy industry to better implement IFRS (due to government involvement in pricing, ensuring security of supply, reducing carbon dioxide and other pollutant emissions, and increasing industry competition) is divided into generation, transmission, distribution and retail sale.

8. In the energy industry, when implementing IFRS at the regional level, it is necessary to provide for the development of instructions for the application and transition to IFRS. For example, in the UK there is a special standard for small enterprises in the energy industry.

9. Effectively organized operational accounting can ensure the transition to IFRS most quickly.

10. The regulatory environment for the energy industry to better implement IFRS (due to government involvement in pricing, ensuring security of supply, reducing carbon dioxide and other pollutant emissions, and increasing industry competition) is divided into generation, transmission, distribution and retail sale.