

IMPLEMENTATION OF INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

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Abstract: This article addresses the issues of implementing International Public Sector Accounting Standards (IPSAS) as an important tool for enhancing transparency, accountability, and efficiency in the management of public finances. The objectives and benefits of IPSAS are discussed, including improving the quality of financial reporting, attracting investment, and increasing trust in government institutions. Special attention is given to the process of adapting the standards in Uzbekistan, including the development of national standards, training specialists, modernizing technologies, and providing legal and regulatory support. The challenges associated with the implementation of IPSAS are also analyzed, along with the prospects for their application in fostering sustainable economic development.

Keywords: IPSAS, public sector, financial reporting, transparency, accountability, public financial management, adaptation of standards in Uzbekistan, sustainable economic development, legal and regulatory support, specialist training, technology modernization, investment attraction, trust in government institutions.

Introduction

Modern challenges of globalization and international integration require states to increase transparency and effectiveness in financial management. In this context, the International Public Sector Accounting Standards (IPSAS) are becoming an essential tool in establishing a reliable financial system in the public sector.

Of particular importance is Presidential Decree No. PP-4611 of the Republic of Uzbekistan, dated 24 February 2020, "On Additional Measures to Transition to International Financial Reporting Standards" (IFRS). Under this decree, joint-stock companies, commercial banks, insurance organizations, and legal entities classified as large taxpayers are required, from 1 January 2021, to maintain accounting and prepare financial statements in accordance with IFRS. [1]. Furthermore, more recently, a new Resolution No. PP-282 was signed on 15 September 2025, "On Measures to Improve the Financial Accounting System in Line with International Requirements and Standards." This document introduces the concept of Public Interest Entities (PIEs), covering business-entities with significant social and economic impact.

Entities that meet the criteria will need to adopt IFRS starting from 1 January 2026. Thus, it is evident that the state is intentionally shifting the governance of large enterprises and companies on the basis of international standards. These measures are also connected to the importance of preparing financial statements according to IFRS for companies that already have or plan to establish relationships with foreign partners. Financial statements prepared under IFRS henceforth become a key factor determining reliability, stability, and development prospects. The transformation of reporting prepared under national standards into the format of IFRS is especially relevant for enterprises seeking additional financial resources or investments via accessing capital markets.

Literature Review and Methods

The study of the characteristics of the International Public Sector Accounting Standards (IPSAS) is carried out by a number of scholars and specialists who emphasize the importance of implementing these standards to improve financial transparency and the management of public funds. Some of them highlight the following key features of IPSAS:

In budgetary organizations, the criteria for recognizing income derived from revenue-generating activities, their classification, the documents that serve as the basis for recognizing such income in accounting records, as well as the amount and date of recognition, are not sufficiently regulated from a legal standpoint; therefore, this issue requires more detailed examination [2].

This issue is further developed in the scientific research of S. I. Korenkova, who emphasizes that the development of accounting policy is one of the most important tasks in improving the processes of organizing accounting in budgetary institutions [3].

Based on the above, it should be emphasized that the improvement of budgetary accounting and reporting in the public sector of the Republic of Uzbekistan has been recognized as one of the main directions of reforms in the budgetary system. As a result of the reforms carried out, and drawing on international practical experience, it has been determined that, in reforming budgetary accounting for revenue recognition, one of two methods should be selected: the accrual method or the cash method. The application of these methods, as well as the transition to the accrual method in accordance with the requirements of international standards, has been identified as a key direction of reform.

The implementation of standards based on the accrual method in the public sector has been reflected in the scientific views of industry scholars. An analysis of the opinions of foreign economists shows that in the works of Christensen M. and Parker L., the issue of applying the accrual method in budgetary accounting and implementing the corresponding standards by foreign organizations is explored. In particular, international practical experience in accounting within university budget systems highlights the use of the accrual method in financial reporting in accordance with international standards and its compliance with the requirements of those standards [4].

In connection with the liberalization of the economy and the growing attention paid to the budgetary system, in recent years our country has also placed great emphasis on reforming budgetary accounting and implementing international standards, drawing on

international experience. In this regard, the economist-scholar S. U. Mekhmanov expressed the following opinion:

“International Public Sector Accounting Standards define the requirements for recording events and transactions in financial statements, including recognition, measurement, disclosure, and presentation of information. [5].

Research Methodology

The article presents the results of an analysis of the development of the International Public Sector Accounting Standards (IPSAS), with a focus on their formation, dissemination, and promotion on the global stage through the International Federation of Accountants. These standards are viewed not only as a component of the history of the International Financial Reporting Standards (IFRS), but also as the outcome of multilateral cooperation among international organizations and the testing of key documents designed for government finance statistics.

Analysis and Results

The global experience of implementing IPSAS helps to more accurately determine the prospects for their realization and dissemination in Uzbekistan, taking into account international practice and the specific features of the global application of these standards.

It is well known that the concept of a budget is one of the most widely used in economic and financial practice. Therefore, it is first necessary to clarify its meaning. A budget is a monetary fund created to achieve a specific purpose, which records sources of income and directions of expenditure. In this sense, one can distinguish between a family budget, an enterprise budget, a state budget, budgets of state funds, and others.

Accounting is the process of quantitative description of phenomena and events along with their qualitative representation. Accounting can be divided into several types, such as operational accounting, statistical accounting, and financial (bookkeeping) accounting. Based on the organization of accounting, information is generated that serves as the foundation for monitoring processes, making managerial decisions, and preparing short- and long-term plans.

Budgetary accounting is an organized system for collecting, recording, and summarizing information about the state of assets and liabilities, expressed in monetary terms, as well as about operations that change these assets and liabilities during the execution of budgets within the budgetary system.

A budgetary accounting standard is a document that defines the requirements established for maintaining budgetary accounting.

Budgetary accounting standards are divided into national and international standards.

According to the Budget Code of the Republic of Uzbekistan, a unified methodology for budgetary accounting is determined in accordance with international standards of budgetary accounting, as well as other legislative acts.

The International Public Sector Accounting Standards (IPSAS) represent internationally accepted rules governing the preparation of financial statements in public

sector organizations (excluding state-owned commercial enterprises) in accordance with globally recognized high-quality standards.

Budgetary accounting standards establish uniform requirements for maintaining accounting records. These requirements form an orderly system for collecting, recording, and summarizing information on the state of assets and liabilities, as well as on transactions that change these assets and liabilities during the execution of the budget.

In particular, these standards regulate the formation of accounting policies in budgetary organizations, including the requirements for the recognition of accounting objects (such as fixed assets, inventories, etc.), their valuation, and their presentation in financial reporting.

The main sections of budget accounting standards include:

- Accounting objects: definition and general concepts related to accounting objects.
- Recognition of accounting objects: determination of the procedure for including accounting objects in the elements of financial reporting.
- Valuation of accounting objects: recommendations and requirements for applying valuation methods to accounting objects.
- Presentation in financial reporting: procedures for disclosing and presenting information about accounting objects in financial statements.

The body that regulates the system of budget accounting and reporting in the Republic of Uzbekistan is the Ministry of Finance, which approves budget accounting standards.

The improvement of accounting and reporting in the public sector of Uzbekistan has been defined as one of the key directions of reform within the framework of the budget system, as established by the relevant Concept. In accordance with this Concept, the implementation of budget accounting standards is envisaged.

The International Public Sector Accounting Standards (IPSAS) are developed by the International Public Sector Accounting Standards Board (IPSASB), which operates under the structure of the International Federation of Accountants (IFAC).

The Board consists of 18 members, of whom 15 are appointed by IFAC, and 3 are nominated by the public. Public representatives may be nominated by any individuals or organizations. In addition, observers from interested public sector bodies may be appointed to the Board; they have the right to express their opinions during meetings but do not have voting rights.

An Advisory Group is established under the Board, serving as a working group without voting rights. The Chairman of the Board also acts as the head of the Advisory Group.

The Board develops:

- International Public Sector Financial Reporting Standards based on the accrual method;
- International Public Sector Financial Reporting Standards based on the cash method.

The International Public Sector Accounting Standards play an important role in harmonizing, aligning, and improving financial reporting standards worldwide. They are used to achieve the following objectives:

In most countries, the international public sector accounting standards serve as the basis for national accounting and reporting requirements. These standards are also used as an international reference model for countries developing their own accounting and reporting frameworks. They allow countries to adopt the standards fully or with minimal modification for practical use in accounting.

Globally, several accounting methods are used in the public sector, including:

- the cash method,
- the modified cash method,
- the modified accrual method, and
- the accrual method.

Cash Method of Accounting in the Public Sector

This method records all transactions based on cash flows. Many events related to assets and liabilities are not reflected in accounting records. For example, under the cash method, purchased fixed assets are immediately recognized as expenses at the time of purchase, without being recorded as assets.

Modified Cash Method of Accounting in the Public Sector

Under this method, transactions occurring in the first month of the following fiscal year but related to the previous reporting year are recognized as pertaining to that previous year. During this period, the government settles obligations incurred in the previous year and receives revenues that were due under the prior budget. This approach is also maintained under the accrual method in public sector accounting. Thus, it allows for partial recognition of assets and liabilities. Similar to the cash method, purchased fixed assets are immediately recognized as expenses when acquired.

Modified Accrual Method in the Public Sector

Under this method, all events are recognized as they occur: revenues as income, expenses as costs, and assets and liabilities at the time they arise. This method facilitates accounting and makes the transition to the full accrual method in public sector accounting easier and more convenient. As in the cash method, purchased fixed assets are immediately recorded as expenses upon acquisition.

Conclusions and Recommendations

Based on the results of our research, the following conclusions and recommendations have been formulated:

Training and professional development of personnel: It is necessary to organize systematic training and professional development programs for accountants and auditors working in public institutions within the framework of the new international accounting standards. This will help eliminate the shortage of qualified professionals and raise the overall level of competence among employees.

Adaptation of international standards to local conditions: Although adherence to international standards is crucial, their implementation should be adapted to the specific economic and social conditions of Uzbekistan. A flexible model should be developed to take into account the national characteristics of budgetary and tax legislation.

3. Modernization of information technologies: For the successful implementation of International Public Sector Accounting Standards (IPSAS), it is essential to update and modernize the electronic accounting and reporting systems. This will facilitate the effective integration of international standards into the current public administration framework.

Enhancing transparency and accountability: It is important to promote a culture of reporting and control at all levels of the public sector. The adoption of international standards will improve the transparency of financial reporting, thereby increasing the accountability of public authorities to citizens and international partners.

Establishing clear timelines and implementation mechanisms: For the successful adoption of international standards, a clear plan with specific deadlines and stages must be developed. Ensuring a consistent implementation process and creating an effective monitoring mechanism are also essential.

Conducting information and awareness campaigns: It is necessary to carry out information campaigns aimed at a wide audience of public officials, accountants, and citizens to highlight the importance and benefits of adopting international standards. This will help increase public support and understanding of the ongoing reforms.

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