A NEW UZBEKISTAN CANNOT BE FORMED THROUGH THE OLD ACCOUNTING SYSTEM, OR THE HARMONIZATION OF THE ACCOUNTING SYSTEM WITH INTERNATIONAL STANDARDS

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Annotation: This article explores the necessity of reforming Uzbekistan's accounting system to align with international standards as part of the country's broader economic modernization and integration into the global market. It argues that the old accounting framework, inherited from a centrally planned economy, no longer meets the demands of a dynamic, market-oriented environment. The study highlights the importance of transparency, comparability, and reliability of financial information, emphasizing that harmonization with International Financial Reporting Standards (IFRS) is a crucial step toward building investor confidence, improving corporate governance, and fostering sustainable economic growth. The article concludes that a "New Uzbekistan" can only be realized through the transformation of its accounting system in line with international best practices.

Keywords: Uzbekistan, accounting reform, international standards, IFRS, financial transparency, economic modernization, harmonization, corporate governance, global integration, sustainable development

Introduction

The System of National Accounts creates the opportunity to comprehensively manage the economy under market economy conditions. All developed countries calculate their indicators of economic power and the standard of living of their population with the help of the System of National Accounts (SNA). The processes of production, consumption, accumulation, and redistribution of real relations among business entities — which form the basis of the SNA — are all generated and systematized through accounting.

Therefore, accounting is considered a fundamental sphere for the economy of a country, and reforms in this system have great significance. Through ensuring accountability, transparency, and efficiency in the economy, accounting allows the SNA to be reliable, accurate, and properly structured.

On a global scale, the international standard of accounting — *International Financial Reporting Standards (IFRS)* — is of vital importance as a source of comparable data. The IFRS contributes to economic efficiency by helping investors identify opportunities and risks across the world and thereby improves the allocation of capital globally.

IFRS serves as a basis for consistent, transparent, and high-quality financial reporting for various jurisdictions. Compliance of financial statements with IFRS ensures that the company's financial position, performance, and cash flows are properly reflected.

In many stock exchanges around the world, companies — including *Public Interest Entities (PIEs)* — are required to prepare their financial statements in accordance with IFRS. This enables companies to attract a wider range of global investors, achieve higher valuations, and enter international markets.

Results and Discussion

Advantages of IFRS and Ongoing Reforms

So, what are the advantages of IFRS?

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Today, in the business world, companies often explore investment opportunities across the globe and conduct international operations. Previously, this was very difficult, as different countries had different accounting rules, which made transactions more expensive and complicated. The introduction of IFRS has radically changed this situation.

Firstly, it is a *global standard for everyone*. IFRS ensures that countries around the world adhere to uniform accounting standards, which reduces the problems and risks associated with differing regulations.

Secondly, it increases confidence in the markets. By ensuring consistency, IFRS strengthens trust in international financial markets and in the listed companies within them. Investors can rely on a standardized approach.

Thirdly, it is crucial for investor confidence. Investors trust the financial information provided by companies because IFRS establishes a common foundation for reporting, transparency, and reliability.

Fourthly, it enables broad comparability. Compliance with IFRS allows for better comparison of financial data among companies operating in different jurisdictions. This simplifies investment decisions, increases investor trust, and attracts international investors.

Furthermore, IFRS strengthens confidence by enabling communication in a universal financial language and creates equal conditions that simplify global business.

In recent years, significant work has been carried out in the field of accounting. The current version of the *National Accounting Standards (NAS)*, adopted 25 years ago, was initially developed and approved in another language. To align the norms of these standards with recent changes in legislation and the requirements of international standards, 25 national accounting standards and related regulatory legal acts were completely revised and systematized in the state language, resulting in 20 new accounting documents that were developed and officially registered.

At the same time, large-scale efforts have been undertaken to introduce the International Financial Reporting Standards. In particular, by the Presidential Decree of the Republic of Uzbekistan No. PQ-4611 dated February 24, 2020, *"On additional measures for the transition to International Financial Reporting Standards"*, the process of transition to IFRS was accelerated, ensuring that foreign investors are provided with an adequate information environment and expanded access to international financial markets. In addition, the system of training specialists in accounting and auditing in accordance with international standards was improved.

To train specialists in IFRS, the Ministry of Economy and Finance signed a memorandum with the *Association of Chartered Certified Accountants (ACCA, United Kingdom)* aimed at preparing personnel under international education standards. More than 19 training centers have successfully passed international accreditation under ACCA cooperation, confirming the quality of IFRS-based education.

To improve access to the labor market for IFRS specialists, the Ministry introduced a reimbursement system for the registration and examination fees of higher education teachers, students, and public sector employees participating in international certification programs. Between 2021 and the first half of 2025, registration costs of 8.871 billion soums were reimbursed for 3,346 candidates.

The processes of registration and examination fee reimbursement for IFRS were automated. To ensure efficiency and transparency in these processes, provide timely responses to applications, and gradually transfer subsidy allocation services for the population and business entities to a unified electronic platform, special software was developed.

Currently, there are around 1,470 professionals with international accounting certificates in Uzbekistan:

- ACCA – 102 individuals;

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- “Financial Reporting under IFRS (F7)” – 749 individuals;
- “Diploma in IFRS (DipIFR, ACCA)” – 449 individuals;
- CIPA, CAP, CPA – more than 170 individuals.

More than 13,000 learners (students, teachers, accountants, and financiers) have access to free online distance-learning platforms — *ifrs.academy* and *profimsfo.uz*.

An *Innovative IFRS and International Auditing Standards Qualification Resource Center*, as well as a *Non-Governmental Qualification Resource Center on Accounting and Taxation*, were established. To further increase the significance of IFRS in the Uzbek language, 30 free online webinars have been conducted to date.

To improve the effectiveness of IFRS application and coordinate its implementation, according to an agreement between the Ministry and the IFRS Foundation, a total of 62 IFRS documents were translated into the state language, and their text was officially recognized for application in the Republic of Uzbekistan.

Furthermore, cooperation was established with international financial organizations on the introduction of IFRS, and regulatory legal documents were developed to facilitate this process.

To further accelerate IFRS implementation reforms, ensure methodological support and coordination, as well as to support and ease the transition for business entities, the *National Accounting Standards (NAS)* are being gradually harmonized with *International Financial Reporting Standards (IFRS)*.

For the first time, financial reporting forms based on IFRS and the submission deadlines for such reports have been approved for business entities.

Simultaneously, key issues such as systematizing the field of accounting, promoting the transition to IFRS, creating additional conditions for business entities, improving external quality control systems for financial reporting, strengthening the legal status and prestige of accountants and auditors, ensuring compliance with ethical standards, maintaining the quality of accounting and auditing services in line with international standards, and developing the accounting and auditing sector through digitalization are among the current priorities.

Presidential Decree No. PD-282 and Its Key Directions

To widely introduce international standards and modern requirements into the financial reporting system of the country, to digitalize business reporting and prepare it in accordance with the principles of the “green economy,” to systematize the field of accounting, to promote the transition to IFRS and create additional conditions for this, as well as to strengthen the legal status and prestige of the accounting and auditing profession — the Presidential Decree of the Republic of Uzbekistan No. PQ-282 dated September 15, 2025, *“On measures to improve the financial reporting system in accordance with international requirements and standards”* was adopted.

This Decree established the key priority directions for fundamentally improving the accounting system and transitioning it to international standards.

Firstly, in order to increase transparency in Uzbekistan’s financial and capital markets, strengthen the confidence of international investors, and thereby improve the country’s sovereign and corporate ratings and expand opportunities for attracting long-term investments, a new category of business entities of significant importance to society and the economy is being introduced — *Public Interest Entities (PIEs)*.

Criteria for determining inclusion in the category of Public Interest Entities are being established, and a register of business entities meeting those criteria will be maintained.

The implementation of IFRS requires additional costs and qualified specialists for companies. Therefore, organizations applying IFRS must be classified into clear groups based on quality criteria.

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All organizations within the category of Public Interest Entities must conduct accounting and prepare financial statements fully in accordance with IFRS and ensure that these reports are published together with the auditors' opinions.

Public Interest Entities are business entities that, due to the nature or scale of their business, the number of employees, or their corporate status, have a wide range of stakeholders and thus possess significant public importance (Code of Ethics, IFAC, IESBA).

According to the most recent definition of Public Interest Entities in the European Union, these include entities whose securities are admitted to trading on a regulated market, credit institutions, insurance companies, or entities designated by member states as having public significance, for example due to the nature, scale, or number of employees of their business (Directive 2014/56/EU, Article 2, Clause 13).

Based on international practice, Public Interest Entities are proposed to include:

- entities whose securities are listed and publicly traded on stock exchanges (*Publicly Traded Entities*);
- commercial banks and payment system operators;
- insurance companies;
- large state-owned enterprises in which the state share in the charter capital exceeds 50 percent;
- investment funds and exchanges; and
- business entities whose total assets exceed one million times the base calculation amount, whose annual revenue from goods and services exceeds one million times the base calculation amount, or whose average annual number of employees exceeds 500.

Secondly, starting from January 1 of the year following the inclusion of an organization in the Register of Public Interest Entities, accounting shall be maintained based on IFRS, and financial statements for the following (second) reporting year shall be prepared and published together with auditors' opinions in compliance with IFRS.

At the same time, joint-stock companies, commercial banks, insurance organizations, and major taxpayers that do not belong to the category of Public Interest Entities are exempted from this obligation.

Thirdly, to further expand the scope of international certification for accountants and to ensure that organizations transitioning to IFRS are provided with qualified specialists, all citizens who successfully pass examinations within international certification programs will have their examination fees reimbursed from the state budget until the end of 2028.

The reimbursement covers examination costs for the subjects "Financial Reporting under IFRS," "Audit and Assurance Services," and "Diploma in International Financial Reporting (DipIFR ACCA)."

Simultaneously, the previous requirement that organizations must employ at least three specialists holding international accounting certificates to ensure high-quality application of IFRS is being abolished.

Fourthly, to enhance the international recognition of Uzbekistan's financial market, particularly the capital market, new *National Financial Reporting Standards (NFRS)* harmonized with IFRS will be developed to replace the National Accounting Standards, and they will be introduced gradually from January 1, 2027.

Currently, 23 National Accounting Standards (NAS), including the Conceptual Framework for the Preparation and Presentation of Financial Statements, are in force.

These standards form the basis of the existing accounting system, under which accounting entities prepare their financial statements and submit them to owners, shareholders, investors, tax authorities, and other state bodies, as well as to all users of financial statements. Financial statements prepared under IFRS are also initially based on these standards.

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Thus, NAS currently constitute the fundamental basis of the accounting system. However, despite the annual updates in IFRS corresponding to changes in business processes, the norms of NAS have remained virtually unchanged for more than 25 years.

Furthermore, the standards do not adequately reflect the true economic condition of entities when valuing assets and liabilities at fair value and do not align with international principles of fair value measurement.

In light of this, it is proposed to develop National Financial Reporting Standards (NFRS) harmonized with IFRS through the unification of National Accounting Standards and to introduce them gradually into the activities of business entities (except for those organizations already required to adopt IFRS).

Why is the term being changed from *Accounting* to *Financial Reporting*? Looking at international practice, the *International Accounting Standards (IAS)* were initially developed by the International Accounting Standards Committee (IASC) and were referred to as *International Accounting Standards*. However, in 2001, the IASC was reorganized and replaced by the *International Accounting Standards Board (IASB)*.

The main difference between IAS and IFRS lies in their scope. IAS covers only specific accounting issues, whereas IFRS encompasses a broader set of accounting standards covering all aspects of financial reporting.

IAS includes various topics such as the presentation of financial statements, revenue recognition, and asset valuation. IFRS, being more principle-based, sets broader guidelines to be followed by companies rather than prescriptive rules. IFRS is widely applied as the global standard for financial reporting by companies worldwide.

Today, IFRS represents the most widespread global standard for financial reporting, applied by more than 140 countries.

Overall, IFRS standards are far broader and more principle-based than IAS, providing a more consistent and transparent foundation for financial reporting.

Based on this, it is proposed to rename *National Accounting Standards* as *National Financial Reporting Standards (NFRS).*

Coordination of IFRS Implementation, Sustainability Standards, and Innovations

Fifthly, to coordinate the processes of IFRS implementation and provide methodological support, a number of opportunities and simplifications are being introduced for business entities. In particular, a *Methodological Council* will be established in the field of accounting to study and analyze issues related to the introduction of IFRS in various sectors and industries, identify and review problems, and develop measures to eliminate them.

Furthermore, a *Republican Commission for IFRS Implementation* will be established, and its main responsibilities have been determined. A "Road Map" consisting of 30 items has been approved to align the financial reporting system with international standards.

Currently, when applying IFRS for the first time, many questions arise among business entities, and even among ministries and agencies, various controversial issues appear. For example: when a business entity changes its legal form and transitions into the category of organizations that maintain accounting and prepare financial statements in accordance with IFRS – from what date should IFRS be applied?

To support legal entities newly classified as IFRS-preparing organizations during the reporting year, to reduce their expenses, and to allow sufficient time for revising road maps and accounting policies for IFRS transition, it is established that financial statements for the reporting year will be prepared under NAS, while the transition date to IFRS will be set as January 1 of the period following the reporting year.

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Currently, financial reporting forms and a chart of accounts have been approved under NAS, while IFRS-compliant sample financial reporting forms and a chart of accounts do not yet exist. Therefore, it is proposed to develop sample IFRS-based financial reporting forms and an IFRS-compliant chart of accounts, as well as:

- develop procedures for external monitoring and review of financial statement quality, and
- establish information exchange mechanisms,
- and create a financial reporting database based on a unified reporting system to ensure collection, storage, and ongoing maintenance of financial data.

To publicly discuss issues and challenges related to accounting, IFRS, and auditing, a *Methodological Council on Accounting and Auditing* has been established under the Ministry of Economy and Finance, comprising qualified experts and practitioners, academic scholars, and foreign specialists.

Sixthly – Aligning the Financial Reporting System with Modern and International Requirements

1. Starting from January 1, 2027, *"Sustainability Standards" (IFRS Sustainability Standards)* will be introduced for Public Interest Entities (PIEs).

These standards are designed to strengthen the relationship between investors and companies by providing globally comparable sustainability-related information useful for decision-making.

The IFRS Sustainability Standards have been developed by the *International Sustainability Standards Board (ISSB)* under the IFRS Foundation since 2022. To date, 64 jurisdictions have recognized or committed to use ISSB standards.

The ISSB was established as part of the IFRS Foundation to provide investors, companies, and policymakers with comparable and decision-useful information, ensuring an efficient and globally consistent type of sustainability reporting.

Two standards have been issued:

- IFRS S1 — *General Requirements for Disclosure of Sustainability-related Financial Information*;
- IFRS S2 — *Climate-related Disclosures*.

IFRS S1 requires disclosure of essential information about sustainability-related risks and opportunities that may affect the entity's cash flows, financial position, or performance, to meet investor information needs.
It also requires industry-specific disclosures and provides guidance for identifying sustainability-related risks and opportunities beyond climate matters.

IFRS S2, to be used together with IFRS S1, requires disclosure of material information on climate-related risks and opportunities, including physical and transition risks.

These standards are designed to be used in conjunction with any accounting standards (such as IFRS or local standards).

Green Accounting — Measuring Environmental Impact

2. The introduction of *Green Accounting* practices — a method of measuring and reporting the environmental impact of economic activities.

Green accounting aims to provide comprehensive information about the real costs and benefits of business activities and to integrate environmental factors into decision-making processes.

This concept focuses on assessing natural resources and ecosystem services from an economic perspective. It helps identify the environmental impacts of economic activities and incorporate them into traditional accounting methods, thus forming a foundation for evaluating sustainability performance at the enterprise, industry, or national level.

The main objectives of green accounting are:

- to capture the value of natural resources and ecosystem services;

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- to determine the quantity and valuation of environmental assets;
- to assess sustainability efficiency.

Integrating environmental factors into financial reporting systems enables stakeholders to assess the negative impacts of various entities and make informed decisions about resource allocation and management.

Compared to traditional methods, green accounting — also known as environmental or sustainability accounting — has several advantages. By considering external factors often ignored in traditional approaches, it provides a more complete understanding of the true costs and benefits associated with business activities.

International Education Standards and Certification

3. To improve the system of professional certification, a **new national certification system** will be introduced gradually, based on a *tiered and modular approach* consistent with *International Education Standards (IES)* and global best practices.

This system will ensure quality of education, transparency of examinations, and recognition of results within international certification programs for accountants.

In accounting and auditing education, a three-level modular online system will be introduced based on the eight International Education Standards (IES) issued by the *International Federation of Accountants (IFAC)*.

Artificial Intelligence and Ethics in Accounting

4. Integration of automated software compatible with artificial intelligence (AI) models into the Unified Reporting System for business reporting automation.

5. Promotion of the *International Code of Ethics for Professional Accountants* developed by the *International Ethics Standards Board for Accountants (IESBA)* under IFAC throughout the Republic of Uzbekistan among accountants and auditors.

The IESBA develops the Code of Ethics for Professional Accountants, which has been adopted by more than 100 countries. The Code requires accountants to adhere to five key principles:

- Integrity,
- Objectivity,
- Professional competence and due care,
- Confidentiality, and
- Professional behavior.

Part 5 – Legislative Reforms, Sectoral Applications, and Conclusions

Seventhly, based on the results of studying the legislative documents and advanced practices of foreign countries in the field of accounting, a new draft Law "On Accounting and Financial Reporting" and the Concept for the Development of Auditing Activities for 2026–2030 will be developed.

The current Law of the Republic of Uzbekistan *"On Accounting"*, adopted in a new edition on April 13, 2016, plays an important role in ensuring that business entities comply with legislative requirements and helps to effectively organize the accounting system.

As a result of consistently pursuing the policy of deepening reforms in the financial system and improving market infrastructure, the necessary legal and regulatory framework for organizing accounting has been established.

The *Ministry of Economy and Finance*, as the authorized state body, regulates accounting through the development of regulatory legal acts in this field.

However, research and analysis show that there remains a need for further improvement of the current legal framework governing accounting. In addition, to enhance the transparency and quality of financial statements published under IFRS, it is necessary to regulate at the legislative level the

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formation of an *open electronic database* for collecting and storing annual financial statements submitted by business entities under IFRS and NAS. This will fully resolve existing challenges.

Overall, the proposed amendments and additions to the Law *"On Accounting"* aim to:

- increase transparency in accounting,
- legally accelerate the implementation of IFRS,
- ensure effective internal control systems,
- improve the legal culture and professional responsibility of business leaders and accountants,
- strengthen the status of national professional accounting associations,

and ultimately prevent and eliminate legal violations in this field.

Based on the above, the development of a new edition of the Law *"On Accounting and Financial Reporting"* is envisaged, taking into account international experience and best practices.

In addition, analytical research will be conducted to examine existing and newly formed structures in the agricultural sector, including agro-clusters, focusing on the formation of transfer pricing, cost calculation, accounting, tax accounting and reporting, and financial-credit mechanisms. This will help address issues related to the structure of costs, accounting, and cost determination within the agricultural branches.

Furthermore, to ensure the financial independence of non-governmental non-profit organizations (NGOs), to enhance transparency in the use of targeted funds, and to simplify the conduct of additional entrepreneurial activities, separate regulations on accounting and financial reporting for NGOs will be developed. These regulations will determine the procedure for maintaining accounting, preparing, and submitting financial statements by such organizations.

Conclusion

Expected Outcomes of the Accounting Reforms

As a result of systematizing accounting legislation and setting measures for the implementation of IFRS by organizations required to prepare financial statements based on IFRS, the following outcomes will be achieved:

Firstly, by revising regulatory legal acts in the accounting system, their compliance with current norms will be ensured, and they will cover changes in global international requirements.

Secondly, by accelerating the transition to IFRS, the confidence and inflow of foreign investors will increase, local companies will gain access to international markets, and the comparability of financial data will be ensured.

Thirdly, for small and medium-sized business entities, financial statements prepared under national standards will more accurately and fairly reflect their financial condition and assets at fair value, ensuring the correct calculation and payment of liabilities, including taxes.

Fourthly, specialists with international-level knowledge in the field of accounting will be trained; the interest of youth in this profession will increase, and employment will rise.

Fifthly, a new national certification system based on a tiered and modular approach aligned with *International Education Standards (IES)* will be introduced for professional accountants.

Sixthly, *Sustainability Standards* will be implemented to improve communication between investors and companies and provide globally comparable sustainability-related information useful for decision-making.

Seventhly, the *International Code of Ethics for Professional Accountants* will be widely and fully applied across the Republic for accountants and auditors.

Eighthly, issues related to the coordination and methodological support of the process of implementing IFRS by organizations required to maintain accounting and prepare financial statements in accordance with IFRS will be resolved.

In general, the adoption of this Presidential Decree and the implementation of the measures outlined in it will increase transparency in financial and capital markets, strengthen the confidence of

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international investors, and as a result – improve the country's sovereign and corporate credit ratings, while expanding opportunities for attracting low-cost and long-term investments.

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