



Review

International Accounting Standards for Cash and Cash Equivalents in Uzbekistan

Sevara A. Abduganieva^{1*}

¹ Tashkent State Agrarian University, Tashkent, Uzbekistan

* Correspondence: sevaraabd@mail.ru

Abstract:

The article examines the issues of accounting for period expenses at enterprises in the modern economy. A brief overview of the current state of accounting for the expenses of the period is given and its importance for the effective management of enterprises is analyzed. Practical recommendations for improving the accounting of period expenses with an emphasis on cost estimation, forecasting and analysis of cost efficiency, as well as the introduction of comparability of indicators for decision-making are presented.

Keywords: period cost accounting, modern economy, enterprise management, cost efficiency, forecasting, data analysis, comparability of indicators

1. Introduction

In today's world, accounting for cash and cash equivalents plays an important role in the life of any business and is a key element of financial transparency and effective management. Cash and cash equivalents are liquid assets that can be instantly converted into funds to secure a business's current and future financial obligations. In this regard, accounting for and correctly reflecting these assets in an organization's financial statements is critical to ensuring its financial stability and sustainability [1].

However, in the context of globalization and world economic integration, the importance of compliance with international standards of accounting for cash and cash equivalents is becoming even more apparent. Global financial markets are becoming increasingly interdependent, and investors, as well as potential partners, always evaluate a company's financial statements based on international standards [2].

It is the reason that this article looks at the importance of proper accounting for cash and cash equivalents, as well as the importance of adhering to international accounting standards in today's economy. It also looks at the challenges and solutions associated with putting these standards into practice in Uzbekistan and their impact on business development in the country [3].

2. International Accounting Standards for Cash and Cash Equivalents

Cash is physical cash that an organization holds on hand or in bank accounts for ongoing financial transactions. Cash includes banknotes and coins in national and foreign currencies that can be immediately used to make payments and meet the operational needs of the enterprise [4].

Cash equivalents are short-term, easily tradable financial instruments that have an original maturity of no more than three months when purchased. Cash equivalents have

Citation: Abduganieva, S.A.
International Accounting
Standards for Cash and Cash
Equivalents in Uzbekistan.
*American Journal of Economics and
Business Management* 2024, 7(2), 114-
119.
[https://doi.org/10.31150/aje_bm.v7i2.
2691](https://doi.org/10.31150/aje_bm.v7i2.2691)

Received: 14 December 2023

Revised: 19 December 2023

Accepted: 16 January 2024

Published: 22 February 2024



Copyright: © 2024 by the authors.
This work is licensed under a
Creative Commons Attribution-4.0
International License (CC - BY 4.0)

a high degree of liquidity and can be instantly converted into cash at current market rates. These instruments include short-term bank deposits, short-term bonds, and other similar assets [5].

The combined accounting concept of cash and cash equivalents in financial statements helps organizations assess their liquidity, ability to meet current liabilities and manage their finances effectively [6]. It is important to note that the correct accounting of cash and cash equivalents in the financial statements implies their accurate valuation and transparency to ensure the reliability of the information provided to stakeholders and investors [7].

IAS 7 and IFRS 7 are two different International Standards that deal with issues related to the reporting of cash flows and financial instruments in the financial statements of entities [8].

3. IAS 7 - Cash Flow Reporting (IFRS 7)

IAS 7 sets out the requirements for the presentation of cash flows in an entity's financial statements. The main purpose of this standard is to provide stakeholders with information about the flow of cash within the company, which allows them to assess its ability to generate cash and its use [9].

The main requirements of IAS 7 include:

- 1) **Cash Flow Reporting Structure:** Organizations are required to report cash flows, separating operating, investment, and financial cash flows. This allows for a more detailed analysis of their sources and uses of money.
- 2) **Direct and indirect methods:** IAS 7 permits both direct and indirect methods of cash flow reporting. However, if the indirect method is used, a summary of the main components of operating cash flows must be provided.
- 3) **Information on non-current transactions:** The standard requires the provision of information on non-current transactions, such as the acquisition and sale of assets, that are not part of the ordinary operations of the company.

4. IFRS 7 - Financial Instruments Disclosure

IFRS 7 sets out disclosure requirements for financial instruments in an entity's financial statements. This standard is useful to provide stakeholders with detailed information about financial instruments and the associated risks and uncertainties.

The main requirements of IFRS 7 include [10]:

- 1) **Identification and classification of financial instruments:** Entities should clearly define and classify their financial instruments according to standard categories such as access to funds, credit risk and market risk.
- 2) **Risk disclosure:** IFRS 7 requires detailed disclosure of risks associated with financial instruments, including credit risk, liquidity and interest rates.
- 3) **Disclosure of value and profitability:** Entities shall disclose the value of their financial instruments and related income, including interest income, dividends and capital gains.

Both IAS 7 and IFRS 7 are important to ensure the transparency and reliability of an entity's financial reporting [11]. They help stakeholders better understand the company's financial situation and make more informed decisions in the context of investments and financial planning. Proper adherence to these standards is an integral part of financial transparency and accounting practices in the global economy [12].

5. Importance of Complying with International Standards

Compliance with international standards in business plays a critical role in today's world, providing a number of important benefits and taking into account the following

aspects [13]:

- 1) **Global competitiveness:** International Standards provide uniform rules and regulations for businesses across countries. This allows companies to compete globally by attracting investment and expanding their business beyond national borders.
- 2) **Attracting investment:** Investors and lenders, both national and international, often choose to invest in companies that comply with international standards. This is due to the level of trust and confidence that financial information is more reliable and transparent.
- 3) **Risk management:** International standards include requirements for the disclosure of risks and uncertainties. This helps companies manage risk more effectively and make more informed decisions.
- 4) **Better financial planning:** Compliance with international standards ensures the accuracy and reliability of financial reporting, which helps businesses develop more accurate and reliable financial forecasts and development strategies.
- 5) **Access to global markets and customers:** Many international markets and clients prefer to work with companies that comply with international standards, as it simplifies business processes and increases trust.
- 6) **Increased transparency:** International standards oblige companies to provide more detailed information about their operations and finances. This contributes to increased transparency and accountability to stakeholders.
- 7) **Facilitating mergers and acquisitions:** Compliance with international standards simplifies the M&A process by providing uniform standards for reporting and valuing assets and liabilities.
- 8) **Reduced capital costs:** Standard rules and processes defined by international standards allow companies to reduce capital costs, as they can comply with uniform rules and procedures rather than developing their own.

In general, compliance with international standards plays an important role in the successful functioning and development of business in the global economy. This helps attract investment, manage risk, ensure financial transparency and improve global competitiveness.

6. Challenges of Implementing International Standards in Uzbekistan

6.1. *Limited implementation of standards*

The implementation of international standards in Uzbekistan faces a number of restrictions and challenges. One of the main limitations is the limited implementation of the standards themselves in various sectors of the economy. Despite the government's efforts to adapt international standards, many companies and organizations still use outdated national accounting standards. This creates an imbalance in reporting and makes it difficult to compare financial performance between companies, which is a serious challenge for investors and analysts [14].

In addition, many small and medium-sized enterprises (SMEs) do not have sufficient resources and knowledge to adapt international standards. This limits their access to financial markets and investment, which can slow down the country's economic growth and development [15].

6.2. *Inadequate training and resources of accountants*

Another major challenge is the lack of training and resources of accounting specialists in Uzbekistan. The implementation of international standards requires highly qualified accounting professionals and an understanding of complex rules and

procedures. However, many accounting professionals in the country may not have sufficient experience and knowledge in this area [16].

Moreover, the lack of educational resources and programs focused on teaching international standards makes it difficult to ensure that accountants are trained at the appropriate level. This can lead to misapplication of standards and the creation of errors in companies' financial statements [3].

To address these challenges, it is necessary to strengthen educational programs, provide access to training according to international standards, and facilitate the transition of companies to modern accounting standards. It is also important to provide support and resources to SMEs so that they can successfully implement International Standards and become more competitive in the global market [17].

6.3. *Cultural and institutional barriers*

The implementation of international standards also faces cultural and institutional barriers in Uzbekistan. Some companies and accounting professionals prefer to use traditional accounting methods that are familiar and familiar to them. This is due to cultural sensitivities and historical practices that may resist change.

In addition, there are institutional barriers, such as bureaucratic procedures and difficulties in applying international standards. These barriers can complicate the onboarding process and create additional barriers for companies [18].

6.4. *Interpretation and application of standards in the context of Uzbekistan*

Another challenge is the interpretation and application of international standards in the unique conditions of Uzbekistan. International Standards have been developed primarily for Western economies, and some of their principles and rules may not be directly applicable in the context of Uzbekistan. This can lead to misunderstandings and difficulties in applying the standards in practice [19].

To address these challenges, it is necessary to conduct training and educational campaigns aimed at changing cultural and institutional attitudes, as well as adapting international standards to local conditions. In addition, the development of recommendations and guidelines for the interpretation and application of standards in the Uzbek context can help accounting professionals and companies better meet international requirements and expectations [20].

7. **Solutions & Recommendations**

7.1. *Raising awareness and education*

For the successful implementation of international standards in Uzbekistan, it is necessary to carry out systematic work to raise awareness and educate accountants, companies and government bodies. This includes seminars, trainings, webinars and educational programs focused on the practical application of international standards. Increased education and awareness contribute to better adaptation and application of standards, as well as cultural change in accounting practices [21].

7.2. *Providing resources and support*

Resources and support must be provided to support accounting professionals and companies in the process of implementing International Standards. This may include providing specialized software and tools that make it easier to apply standards. In addition, companies and accounting professionals can receive advice and support from experts with experience in the field of international standards. Providing resources and support helps reduce the barriers that companies face in transitioning to international

standards and promotes a smoother implementation [21].

7.3. Overcoming Cultural and Institutional Barriers

One of the challenges in the implementation of international standards in Uzbekistan is the existence of cultural and institutional barriers that can make it difficult to apply them. To overcome these barriers, it is necessary to work to promote a culture of compliance and transparency. This includes the creation of awareness campaigns and educational programs aimed at building an understanding of the importance of complying with international standards and their impact on business practices. It is also necessary to work with institutions and authorities to create a supportive environment for compliance with standards [22,23].

7.4. Adapting to the context of Uzbekistan

For the successful implementation of international standards in Uzbekistan, it is necessary to adapt them to the local context. This includes the development of localized recommendations and methodologies that take into account the specifics of the Uzbek economy and legislation. Localized recommendations may include practical guidance on accounting for specific types of transactions specific to Uzbekistan, as well as recommendations on adapting international standards to local accounting and tax requirements. Adapting to the context of Uzbekistan helps accounting professionals and companies to more successfully implement and apply international standards in local contexts [22].

8. Conclusion

In conclusion, it is necessary to emphasize the importance of compliance with international standards in the modern economy and for business in Uzbekistan. These standards play a key role in ensuring the accuracy, reliability and transparency of financial reporting, which helps investors, stakeholders and governments make informed decisions, helps attract investment and supports sustainable economic development.

However, the implementation of international standards in Uzbekistan is accompanied by certain challenges, such as limited implementation, inadequate training of accountants, cultural and institutional barriers, and difficulties in interpreting and applying the standards in local contexts.

In order to successfully comply with international standards in Uzbekistan, it is necessary to pay attention to raising awareness and educating accountants, providing them with the necessary resources and support. Promoting a culture of compliance and transparency, as well as adapting standards to the local context, will contribute to the successful implementation and compliance of international standards in Uzbekistan.

In general, compliance with international standards is an important factor in the development of business in Uzbekistan and contributes to its integration into the world economy.

References

- [1] Z. Eshpulatova, "ACCOUNTING FOR RECOGNITION OF ENTERPRISES INCOME (ACCOUNTS) IN ACCOUNTING WITH INTERNATIONAL STANDARDS AND FINANCIAL REPORTING CONCEPTUAL FUNDAMENTALS," *Euro-Asia Conf.*, vol. 3, no. 1, pp. 137-139, 2021.
- [2] М. Толаходжаева and Ш. Ильхомов, *Аудит. Методическое пособие*. Ташкент, 2006.
- [3] А. С. Сотиволдиев, *Современный бухгалтерский учет*. Ташкент, 2005.
- [4] Б. С. Убайдуллаев, "Общественные отношения и социальная политика," *ЛУЧШЕЕ СТУДЕНЧЕСКОЕ ИССЛЕДОВАНИЕ*, pp. 192-196, 2021.
- [5] Z. Eshpulatova, "THE DIGITAL ECONOMY RELIES ON THE INTERNATIONAL STANDARDS OF THE

- FINANCIAL REPORT ON THE INCOME STATEMENT," *Dev. ISSUES Innov. Econ. Agric. Sect.*, p. 120, 2021.
- [6] Т. В. Хвостик, *Практикум по бухгалтерскому (финансовому) учету*. Москва: ФОРУМ, 2010.
- [7] Ф. М. Тулкинов, Б. С. Убайдуллаев, and А. М. Каримова, "ТИЖОРАТ БАНКЛАРИ ТОМОНИДАН ТАДБИРКОРЛИК СУБЪЕКТЛАРНИ МОЛИЯВИЙ ҚЎЛЛАБ ҚУВВАТЛАШ," *BARQARORLIK VA YETAKCHI TADQIQOTLAR ONLAYN ILMIY JURNALI*, vol. 2, no. 6, pp. 126–131, 2022.
- [8] Z. B. Eshpulatova and U. B. Sodirovich, "Conceptual Bases of Profit Accounting at Enterprises," 2022.
- [9] President of the Republic of Uzbekistan, *Decree of the President of the Republic of Uzbekistan on Measures to Further Improve the System of State Financial Control*. 2021.
- [10] President of the Republic of Uzbekistan, *Decision of the President of the Republic of Uzbekistan on the Correctness of Additional Measures to Improve the System of Audit Identification*. 2021.
- [11] President of the Republic of Uzbekistan, *Decision of the President of the Republic of Uzbekistan on State Support of Non-Governmental Educational Organizations and Measures to Create Additional Conditions for Youth in the Educational Process*. 2021.
- [12] President of the Republic of Uzbekistan, *Decision of the President of the Republic of Uzbekistan on Additional Measures for the Transition of Financial Statements to International Standards*. 2020.
- [13] President of the Republic of Uzbekistan, *Decree of the President of the Republic of Uzbekistan on the Development Strategy of the New Uzbekistan for 2022-2026*. 2022. [Online]. Available: <https://lex.uz/docs/5841063>
- [14] Б. С. Убайдуллаев, "СУЩНОСТЬ ИСЛАМСКОГО БАНКИНГА И ЕГО ЗНАЧИМОСТЬ В БАНКОВСКОЙ СИСТЕМЕ УЗБЕКИСТАНА," 2022.
- [15] Z. Eshpulatova, "ACCOUNTING OF REVENUE FROM CONTRACTS WITH CUSTOMERS ACCORDANCE WITH INTERNATIONAL STANDARDS," *Int. Finance Account.*, vol. 2021, no. 2, p. 25, 2021.
- [16] Z. Eshpulatova, "DETERMINATION OF INCOME AND PROFIT AS AN ELEMENT OF FINANCIAL STATEMENTS," *Int. Finance Account.*, vol. 2020, no. 1, p. 20, 2020.
- [17] В. И. Подольский and А. А. Савин, *Аудит: учебник*. Москва: Юрайт, 2010.
- [18] З. А. Маруфов and Б. С. Убайдуллаев, "РАЗВИТИЕ ИНВЕСТИЦИОННОЙ ДЕЯТЕЛЬНОСТИ ПРЕДПРИНИМАТЕЛЬСТВА В РЕСПУБЛИКЕ УЗБЕКИСТАН," *Экономика И Социум*, no. 5–2 (92), pp. 519–524, 2022.
- [19] N. A. Kamilova and U. B. Sodirovich, "PRIORITY ISSUES OF INTERNATIONALIZATION OF HIGHER EDUCATION IN THE MODERN WORLD," *Gospod. Innov.*, vol. 23, pp. 559–562, 2022.
- [20] Z. B. Eshpulatova, "CONCEPT AND CONTENT OF OTHER COMPREHENSIVE INCOME, ACCOUNTING PRINCIPLES AND WAYS TO IMPROVE," *Eurasian J. Acad. Res.*, vol. 1, no. 6, pp. 84–89, 2021.
- [21] Z. B. Eshpulatova, "The First Application of International Financial Reporting Standards," *Kresna Soc. Sci. Humanit. Res.*, vol. 4, pp. 52–54, 2022.
- [22] S. U. Akhrorova, "National interests and their value in social relations," *Asian J. Multidimens. Res.*, vol. 9, pp. 235–239, 2020.
- [23] S. U. Akhrorova, "Manifestation of national spiritual features in the subjects of social policy," *Acad. Int. Multidiscip. Res. J.*, vol. 10, pp. 2130–2134, 2020.