

IFRS IN THE SYSTEM OF CORPORATE GOVERNANCE IN UZBEKISTAN

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Annotation: *This article discusses corporate governance and International Financial Reporting Standards as interrelated systems. The exploration of the principles of regulation of economic relations by these two systems made it possible to identify and prove this relationship, which has a positive effect on the practice of corporate governance and international accounting on the activities of joint-stock companies.*

Key words: *corporate governance, International Financial Reporting Standards, joint-stock company, shareholders*

Corporate governance is a vital tool in business development because it creates a system of rules and practices that determine how a company operates and how it aligns the interest of all its stakeholders. Good corporate governance leads to ethical business practices, which leads to financial viability. The basic principles of corporate governance are accountability, transparency, fairness, and responsibility. Therefore, a strong, transparent corporate governance leads a company to make ethical decisions that benefit all of its stakeholders, allowing the company to place itself as an attractive option to investors if its financials are also stable. Bad corporate governance leads to a breakdown of a company, often resulting in scandals and bankruptcy. Hence, in order to develop international business and investment in the country, measures are implemented to apply IFRS in local companies, which also contribute to the development of corporate governance.

On February 24, 2020, the President of Uzbekistan signed the Decree "On additional measures for the transition to international financial reporting standards" No. PP-4611. According to the resolution, from 2021, insurance organizations, commercial banks, joint-stock companies and legal entities related to large tax payers are required to keep accounting in accordance with IFRS. And, starting from the results of 2021, to form financial statements in accordance with international standards.

The purpose of the transition to IFRS is to improve the quality and comparability of financial information in the reports and reduce the possibility of interpreting the information presented differently. IFRS allow investors, creditors and borrowers to evaluate and compare the results of the financial and economic activities of the organization, including at the international level, in a more detailed and efficient manner. Since uniform standards are not based on strict rules, but on established principles. For our country, the transition to the international reporting system involves a change in the basis of financial accounting and reporting. These changes will affect the entire system of financial and credit relations, as well as the system of production of goods, works and services. The implementation of IFRS implies a fundamental change both in the internal environment of economic entities (accounting, financial management, marketing, etc.) and in external areas (with counterparties, financial intermediaries, government agencies, etc.). Due to the inefficient use of a large amount of state property and for other reasons, large-scale privatization work is expected to begin in Uzbekistan in 2021. The biggest obstacle in the process of privatization, or, to be more precise, one of the reasons slowing down this process, is the discrepancy between the accounting of these organizations with IFRS. A prospective foreign investor will not understand the reports prepared by organizations in Uzbekistan, so he will not believe that the figures are reflected correctly.

It may at first appear that corporate governance measures and IFRS are unrelated. But upon closer examination, this opinion can be refuted. The following is a figure showing between the principles of corporate governance and the framework provisions of IFRS.

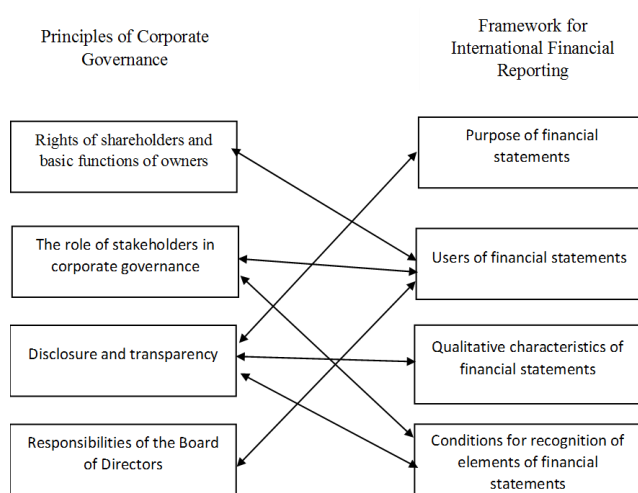


Diagram of the relationship between CG principles and the IFRS Framework

Based on the figure, the following relationships can be found:

A) The purpose of financial statements is directly related to the obligation of the company to disclose information.

B) The Framework Regulation on Users of Financial Statements serves as a tool for protecting the rights of shareholders, stakeholders and reflects the administration's obligation to the chairmen of the board and shareholders of the company, and also contributes to an effective internal management

system and ensuring the strategic management of the enterprise.

C) Qualitative characteristics of financial statements will help managers and shareholders make the right strategic decisions based on financial results.

D) The conditions for recognition of the elements of financial statements determine the criteria for disclosure of information and provide an effective system of strategic management and internal control of the enterprise.

Thus, the effectiveness of corporate governance in the company also depends on the quality of implementation of these Framework Provisions of IFRS. Today, in the conditions of civilized market relations, Uzbekistan strives for full integration into the world community and the processes of economic globalization. To achieve this goal, global market participants, such as international companies and investors, must fully understand the information provided by our local companies.

IFRS are an important tool for such mutual understanding. And from the point of view of corporate governance, the most acceptable option for the presentation of financial statements for investors and shareholders of the company is the use of IFRS. In this regard, timely and high-quality implementation of IFRS is impossible without an effective corporate governance system in Uzbekistan, as it is a fundamental basis that establishes the rules for doing business. At the same time, it should be clearly understood that for Uzbek companies all this means the need to introduce new standards of information transparency, amend existing internal documents and develop new ones, as well as reconsider the role of the board of directors, shareholders and managers.

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