

## Impact Factor:

ISRA (India) = 4.971	SIS (USA) = 0.912	ICV (Poland) = 6.630
ISI (Dubai, UAE) = 0.829	PIHLI (Russia) = 0.126	PIF (India) = 1.940
GIF (Australia) = 0.564	ESJI (KZ) = 8.997	IBI (India) = 4.260
JIF = 1.500	SJIF (Morocco) = 5.667	OAJI (USA) = 0.350

SOI: [1.1/TAS](https://doi.org/10.15863/TAS) DOI: [10.15863/TAS](https://doi.org/10.15863/TAS)

## International Scientific Journal Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2020 Issue: 11 Volume: 91

Published: 22.11.2020 <http://T-Science.org>

QR – Issue



QR – Article



Shapaxat Sadikovich Ismoilov

Termez State University  
senior teacher of the Department of Finance,  
Uzbekistan

## FINANCIAL ANALYSIS WITH THE APPLICATION OF IFRS

**Abstract:** The analysis of financial statements according to national accounting standards and international financial reporting standards was carried out, and it was concluded that methodological approaches should be adjusted when conducting financial analysis. At the same time, the reasons for differences between national accounting standards of Uzbekistan and international accounting are identified.

**Key words:** accounting, auditing, fixed assets, tangible assets, depreciation, inventory, international standards. National accounting standards, IFRS, analysis, accounting, reporting, audit.

**Language:** English

**Citation:** Ismoilov, S. S. (2020). Financial analysis with the application of IFRS. *ISJ Theoretical & Applied Science*, 11 (91), 326-328.

**Soi:** <http://s-o-i.org/1.1/TAS-11-91-53> **Doi:**  <https://dx.doi.org/10.15863/TAS.2020.11.91.53>  
**Scopus ASCC:** 2000.

### Introduction

The integration of business entities into the global economic system, along with legal, technical, technological and logistical issues, also raises the problem of providing financial information in the form of accounting statements for managers of enterprises and organizations. Current international financial reporting standards (IFRS) require disclosure of information such as clarity, relevance, comparability and reliability, as well as the publicity of reporting data.

The processes of improving the accounting and financial reporting system in the Republic of Uzbekistan and their convergence with IFRS are aimed at generating better information about the financial condition and financial results of economic entities.

The purpose of analyzing financial statements prepared in accordance with IFRS is to obtain key characteristics of the company's financial condition and financial results for making optimal management decisions by various users of information.

The main objectives of the analysis of financial statements prepared in accordance with IFRS are the following

✓ objective comprehensive assessment of the financial condition;

- ✓ evaluating the effectiveness of cash flow management;
- ✓ liquidity and solvency analysis;
- ✓ revenue, expense and profit analysis;
- ✓ analysis of the level and dynamics of business activity indicators;
- ✓ evaluating the effectiveness of the dividend policy and the use of net profit;
- ✓ analysis of the level and dynamics of profitability indicators;
- ✓ identify and quantify the impact of factors on business performance;
- ✓ justification of the investment policy for attracting (placing) capital;
- ✓ development of alternative options for optimal management decisions aimed at strategic improvement of business efficiency;
- ✓ comprehensive study of the composition and dynamics of financial sources of capital and liabilities, assessment of the optimal financial structure.

Analysis of the financial statements of an economic entity begins with an analysis of the principles underlying the formation of its indicators. Certain (sometimes significant) differences in the provisions of the National Accounting Standards and IFRS lead to the need to adjust the methodological approaches when conducting the analysis. Understanding the differences between national and

## Impact Factor:

<b>ISRA (India)</b>	<b>= 4.971</b>	<b>SIS (USA)</b>	<b>= 0.912</b>	<b>ICV (Poland)</b>	<b>= 6.630</b>
<b>ISI (Dubai, UAE)</b>	<b>= 0.829</b>	<b>ПИИИ (Russia)</b>	<b>= 0.126</b>	<b>PIF (India)</b>	<b>= 1.940</b>
<b>GIF (Australia)</b>	<b>= 0.564</b>	<b>ESJI (KZ)</b>	<b>= 8.997</b>	<b>IBI (India)</b>	<b>= 4.260</b>
<b>JIF</b>	<b>= 1.500</b>	<b>SJIF (Morocco)</b>	<b>= 5.667</b>	<b>OAJI (USA)</b>	<b>= 0.350</b>

international accounting standards is an essential part of analyzing financial statements. When analyzing reports compiled in accordance with international standards, one should take into account not only its difference from the BMS in terms of requirements, but also the reasons for these differences.

Differences between IFRS and BMS are mainly manifested in the measurement, recognition, and reporting of certain types of assets, capital, liabilities, income, expenses, cash and capital flows, and certain business transactions.

A lot of problems arise in terms of using the international terminology base due to different interpretations and identification of individual indicators of financial statements, including linguistic difficulties.

In the process of analyzing international financial statements, it is necessary to proceed not so much from the form as from the essence of the studied financial and economic processes occurring in the company. Reports prepared in accordance with IFRS are usually confirmed by the auditor, but, despite this, the subjects of analysis should take a critical approach to its content for the following reasons:

- ✓ the purpose of the financial statements, which is to objectively reflect the company's business activities, does not coincide with the purpose of the analysis, since it is aimed at identifying the reasons for the financial results obtained and their dynamics;

- ✓ the purpose of analyzing financial statements for individual users may differ significantly from the information needs of most users;

- ✓ the IFRS reliability requirement, which is aimed at reducing the risk of possible material misstatement or incorrect disclosure of information in the financial statements, does not coincide with the requirement for reliability of the results of financial analysis, since the focus of the analysis is to identify the possibility of achieving the required level of solvency, profitability, business activity and financial stability of the company;

- ✓ standardization of information in financial statements does not allow to reflect the industry specifics of the company's activities, whereas in the process of analyzing financial statements, it must be fully presented.

In practice, the analytical interpretation of the organization's performance indicators in the financial statements (in the explanatory note) is not yet widely used, while in the appendices to the financial statements prepared in accordance with IFRS, such information is usually reflected. In statements in the explanatory Memorandum basically sets out issues of accounting policy choice, whereas in the financial statements prepared under IFRS, the main explanation given to the assessment of the business and the influence that various factors had on the financial statements.

One of the existing analytical differences in international financial reporting is the ability to study the dynamics of various indicators in a long-term retrospective. This feature allows the analyst to identify trends in business performance, set a trend, and predict certain financial and economic evaluation indicators.

A number of regulatory documents explicitly specify the minimum time period (two consecutive accounting periods) for which a company is required to disclose its financial information. However, as practice shows, the vast majority of companies reflect, for example, indicators of activity of assets and liabilities in the balance sheet as of only two reporting dates, which clearly does not meet the requirements for disclosure of financial information in dynamics.

Important requirements for the formation of reliable information are contained in a number of international standards, the mandatory implementation of which leads to adequate financial indicators. These standards allow for a more realistic valuation of assets, liabilities, capital, income, expenses, and net income. For example, in accordance with IAS 36 "impairment of assets", the company's assets should be recorded in the balance sheet at a value not exceeding their recoverable amount, i.e. not higher than the value of future economic benefits that can be expected from them. To this end, at each reporting date, the company should check for any signs that indicate a possible decrease in the value of the asset, and if any of them are detected, it should assess its recoverable amount. If the carrying amount of an asset has become higher than the recoverable amount, the asset is subject to depreciation, which will result in the recognition of losses.

In accordance with IFRS, the company can reflect the financial statements using the procedure of discounting (reduction) of values, whereas in the National Accounting Standards this option is not provided.

A reliable and complete picture of the property and financial position of the organization, its changes, as well as the financial results of the company's activities cannot be achieved without meeting the most important requirement of comparability of data. This requirement is consistent with the quality characteristics of IFRS, including reliability and comparability of data. The relevance of meeting these requirements increases in the context of inflation, which is inherent in the current stage of development of market relations in Uzbekistan.

In General, the methodology and methods for analyzing financial statements prepared in accordance with IFRS are comparable to the analysis of an organization's financial statements prepared in accordance with the BMS. The main differences are related, first, to the interpretation and evaluation of the reporting items themselves during the analysis, and, second, to the significant impact of subjective

## Impact Factor:

ISRA (India) = 4.971	SIS (USA) = 0.912	ICV (Poland) = 6.630
ISI (Dubai, UAE) = 0.829	ПИИИ (Russia) = 0.126	PIF (India) = 1.940
GIF (Australia) = 0.564	ESJI (KZ) = 8.997	IBI (India) = 4.260
JIF = 1.500	SJIF (Morocco) = 5.667	OAJI (USA) = 0.350

estimates on the financial statements ' indicators during their formation.

A significant role in the interpretation of reporting data in the analysis process is played by the professional judgment of a specialist analyst, i.e. a conscientiously expressed opinion about the

economic situation and useful both for describing it and for making effective management decisions. It is based on the ideas, beliefs, and professionalism of an analyst. In accordance with IFRS, professional judgment is an element of accounting standardization, an element of the culture of the accounting profession.

## References:

1. Xudoyberganova, S. K. (2020). Accounting and analytical support for internal audit of fixed assets in commercial organizations. *ISJ Theoretical & Applied Science*, 10 (90), 389-392.
2. Kuklanovna, X. S. (2020). Analysis of income tax from individuals in Uzbekistan. *ISJ Theoretical & Applied Science*, 10 (90), 362-367.
3. Raximova, G. M. (2020). Problems of accounting and audit of fixed assets. *ISJ Theoretical & Applied Science*, 05 (85), 726-729.
4. Raximova, G. M., Abdulxayeva, S., & Pirimkulov, O. M. (2020). Features of audit of small and medium-sized enterprises. *ISJ Theoretical & Applied Science*, 06 (86), 101-105.
5. Rahimova, G. M. (2020). Praktika ucheta i audita osnovnyh sredstv. *Problemy Nauki*, №7 (152). <https://cyberleninka.ru/article/n/praktika-ucheta-i-audita-osnovnyh-sredstv>
6. Ilxamov, Sh.I. (2017). Concept of the use of the system of internal control of enterprise. *International journal of advance research and innovative ideas in education*.
7. Ilxamov, Sh.I. (2017). «East West» Development of auditing methods in accordance with international criteria and standards. *European Journal of Economics and Management Sciences*, № 1.
8. Ilxamov, Sh.I. (2019). 44(5) 48-61. <http://intercienciajournal.com/index.html>