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ISSUES OF IMPROVING THE PREPARATION OF BALANCE SHEET, PROFIT AND LOSS, CASH FLOWS AND EQUITY STATEMENTS IN ACCORDANCE WITH IFRS

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ABSTRACT
The article examines the issues of preparing the main financial statements of electric power industry enterprises in accordance with International Financial Reporting Standards. Within the framework of the research, the theoretical and methodological foundations for forming the balance sheet, profit and loss statement, cash flow statement and statement of changes in equity are disclosed. The author conducted a detailed analysis of the financial indicators of large joint-stock companies in the electric power industry. The dynamics of the composition and structure of assets, formation of equity capital, inventories, cash, fixed assets and accounts receivable were studied in the context of 2020-2024. The study substantiates the importance of the transition to IFRS in increasing the investment attractiveness of enterprises and expanding opportunities for entering international financial markets.
KEYWORDS: *Balance Sheet, Profit and Loss, Cash Flows, Equity Capital, Financial Statements, Electric Power Industry, Investment Attractiveness.*

INTRODUCTION

In the context of the Republic of Uzbekistan's integration into the global economy, the entry of national enterprises into international financial markets and attracting foreign investors has strategic importance. The successful implementation of this process largely depends on enterprises preparing their financial statements in accordance with internationally recognized standards. The decree of the President of the country No. PQ-4611 dated February 24, 2020 «On Additional Measures for the Transition to International Financial Reporting Standards» was an important step in this regard and represents a progressive initiative towards adapting the national economy to modern requirements.

Creating opportunities to attract external investors through reforming the accounting system and assisting in changing economic relations is one of the urgent tasks today. Preparing financial statements of highly profitable and promising business entities based on international standards, efficiently organizing equity capital, and increasing investment attractiveness are among the main factors in attracting external investors.

The main forms of financial reporting - balance sheet, profit and loss statement, cash flow statement, and statement of changes in equity - reflect different aspects of enterprise activities. The preparation of these reports in accordance with IFRS ensures their understanding by international users and allows objective assessment of the enterprise's financial position.

The electric power industry is one of the main infrastructure sectors of the country's economy, and its sustainable development ensures the efficient operation of the entire national economy. The preparation of financial statements of enterprises in this sector in accordance with international standards is particularly important, as they need foreign financing to implement large investment projects.

The purpose of this research is to improve the methodology for preparing main financial statements in accordance with IFRS and to develop practical recommendations for their implementation in the electric power industry.

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LITERATURE REVIEW

The theoretical foundations of financial statement formation have been widely studied by both foreign and local scholars. Z.N. Kurbanov and A. Akramov emphasize that the gradual organization of accounting in our republic based on international financial reporting standards will allow broader integration into the world. According to them, this will become a new stage of reforming and modernizing accounting in our republic.

O. Sobirov notes the importance of accelerating the transformation process of financial reporting to international standards by providing foreign investors with necessary information and data and expanding opportunities to enter international financial markets. He also specifically emphasizes the need to improve the system of training specialists in accounting and auditing in international standards.

S.N. Tashnazarov draws an important conclusion based on studying the development patterns of accounting and financial reporting. If the idea of accounting based on double-entry bookkeeping was created in 1494, the international integration of financial reporting began with the creation of international accounting standards in 1973. According to his forecast, by the 2030s, complete international harmonization and uniformity of financial reporting will be achieved worldwide.

International standards include conceptual foundations, including fundamental qualitative characteristics, materiality and reliability of presented information, elements of financial reporting, approaches to valuing assets and liabilities, concepts of capital and capital maintenance. These foundations are designed to make IFRS-compliant reporting highly useful for users.

IFRS (IAS) 1 «Presentation of Financial Statements» standard establishes the complete composition of financial reporting. This composition includes balance sheet, profit and loss statement, statement of changes in equity, cash flow statement, accounting policies and explanatory notes. The standard requires that all these reporting forms be prepared mandatorily.

IFRS (IAS) 7 «Statement of Cash Flows» standard establishes the procedure for reflecting how an enterprise generates its cash and cash equivalents and uses them. This statement provides key information in assessing the enterprise's liquidity position.

RESEARCH METHODOLOGY

A comprehensive approach was used during the research implementation, combining theoretical analysis and practical research methods. The financial statements of large joint-stock companies in the electric power industry were systematically analyzed. As research objects, the financial statements of JSC «Thermal Power Plants», JSC «Regional Electric Networks», JSC «National Electric Grid of Uzbekistan» and JSC «Uzbekhydroenergo» for the period 2020-2024 were selected.

Vertical and horizontal analysis methods were used in analyzing the main components of financial statements. Vertical analysis allowed determining the compositional structure of assets and liabilities. Through horizontal analysis, the multi-year dynamics of financial indicators were studied. The combined application of these two methods allowed for a complete assessment of the financial position of enterprises.

Different categories of assets - inventories, cash, fixed assets and accounts receivable - were studied separately. The dynamics of absolute and relative indicators were calculated for each category. This allowed identifying changes occurring in different components of financial statements.

The coefficient method was used in analyzing the formation and change of equity capital. Financial stability, independence and maneuverability coefficients were calculated. These indicators helped assess the financial stability of enterprises.

The comparative analysis method was applied to identify differences between national accounting standards and IFRS requirements. Differences in financial reporting preparation principles, recognition criteria and valuation methods were studied in detail. This allowed identifying problems arising during the transition to IFRS in advance.

The graphical analysis method was used to visualize financial data and identify trends. The dynamics of asset values, equity capital amounts and other key indicators were expressed in graphs.

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ANALYSIS AND DISCUSSION OF RESULTS

Currently, reforming the accounting system in our republic plays an important role in the country's integration into the global economy. Adopting IFRS and presenting reports in accordance with it creates a unified financial information exchange environment in the global market. This process serves to increase information transparency, accountability and economic efficiency. Additionally, the application of IFRS leads to improved market liquidity, development of capital markets, expansion of trading volumes in securities markets, entry of foreign investments into the national market and improvement of investor protection.

The balance sheet is the main reporting form that reflects the enterprise's financial position at a specific date. The balance shows the complete composition of assets and liabilities. The equity capital of joint-stock companies consists of the sum of professional contributions, funds earned by the enterprise, and funds for valuation and future assimilation.

The sum of the enterprise's additional capital and charter capital equals the sum of professional contributions. The sum of reserve capital and undistributed profit equals the funds earned by the enterprise. The sum of targeted receipts and future period expenses consists of funds for valuation and future assimilation. Joint-stock companies strive to increase the level of income using capital efficiently attracted from owners and other creditors.

In economic entities, the minimum level of asset profitability is determined by the cost of capital. Having a sufficient level of own capital in economic entities means financial stability. In this case, it is important to form not only fixed assets but also current assets. The importance of financial resources in economic entities is manifested in forming capital funds and increasing production capacity, as well as in financing current activities.

Inventories constitute an important part of assets in electric power producing enterprises based on the characteristics of their activities.

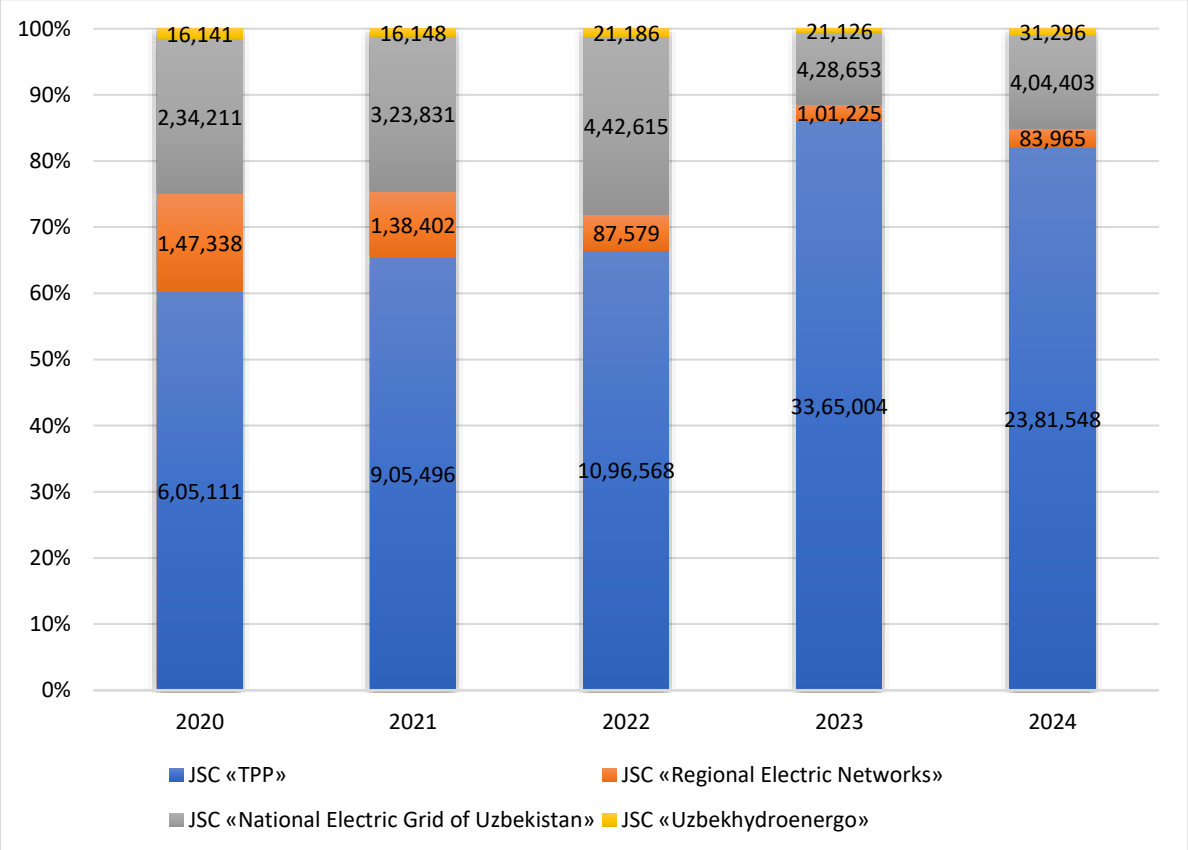


Figure 1. Audit of Inventories of JSC «TPP», JSC «Regional Electric Networks», JSC «National Electric Grid of Uzbekistan», JSC «Uzbekhydroenergo» during the Reporting Period, Million Soums

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A significant change in the value of inventories was observed in the enterprises that were the object of study from 2020 to 2024. At JSC «Thermal Power Plants», the residual value of inventories was 605.1 billion soums as of December 31, 2020, and increased to 2.3 trillion soums as of December 31, 2024. This more than fourfold increase indicates the expansion of the production process at the enterprise and the accumulation of reserves for implementing new projects.

At JSC «Regional Electric Networks», the value of inventories was 147.3 billion soums in 2020 and decreased to 83.9 billion soums by 2024. This decrease demonstrates efficient management of reserves and maintaining them in the required quantity. At JSC «National Electric Grid of Uzbekistan», the value of inventories increased from 234.2 billion soums to 404.4 billion soums. The high level of increase in the value of inventories is directly related to the intensive development of the production process at these enterprises.

Cash is the most important asset category ensuring the enterprise's liquidity.

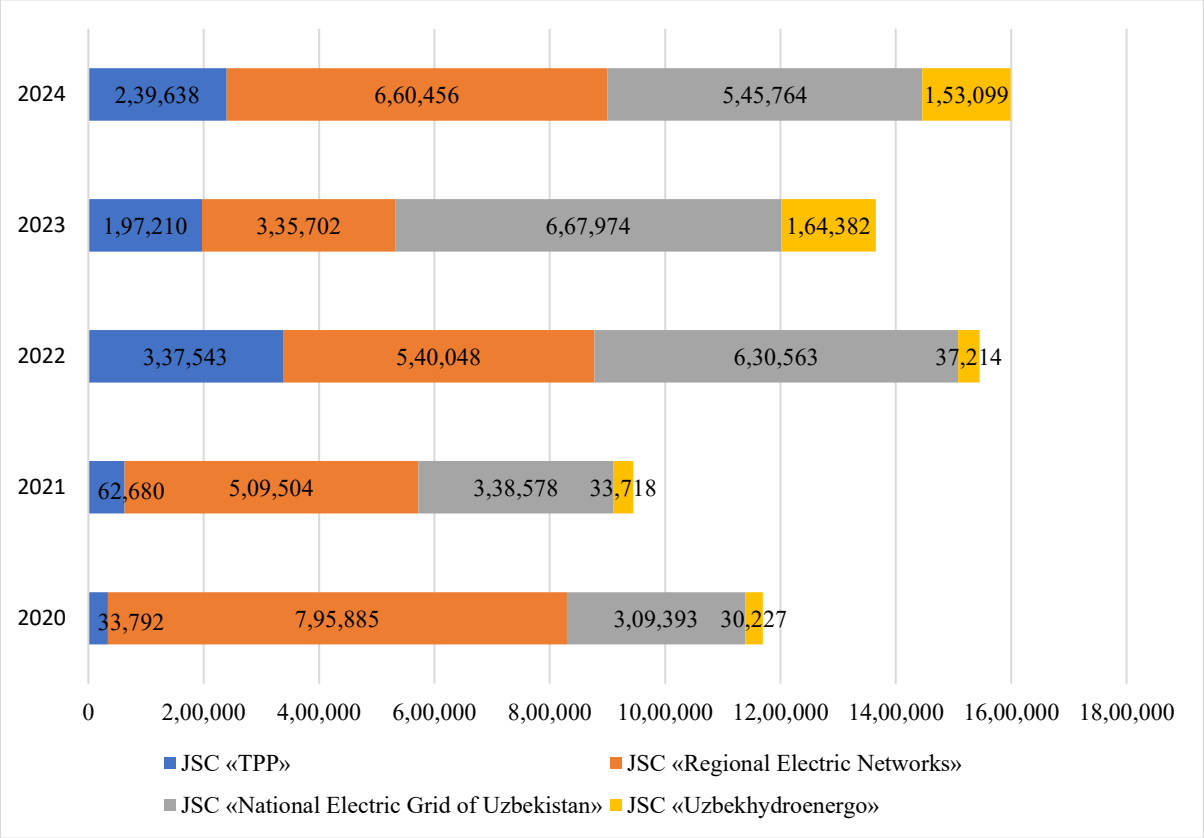


Figure 2. Audit of Cash of JSC «TPP», JSC «Regional Electric Networks», JSC «National Electric Grid of Uzbekistan», JSC «Uzbekhydroenergo» during the Reporting Period, Million Soums

Users of joint-stock companies' financial statements are interested in how the enterprise generates its cash and cash equivalents and uses them. Enterprises need cash for the same reasons, and regardless of how different their main income-generating activities are, they need cash to carry out their operations, fulfill obligations and pay income to investors.

At JSC «Thermal Power Plants», the value of cash was 33.7 billion soums in 2020 and reached 239.6 billion soums by 2024. This more than sevenfold increase demonstrates the improvement of the enterprise's financial position and the increase in its liquidity. At JSC «Regional Electric Networks», cash was 795.7 billion soums in 2020 and decreased to 660.8 billion soums in 2024. At JSC «National Electric Grid of Uzbekistan», cash decreased sharply from 309.8 billion soums to 22.3 billion soums. These decreases can be explained by the expenditure of funds on investment projects.

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Fixed assets are the main production factor for electric power industry enterprises.

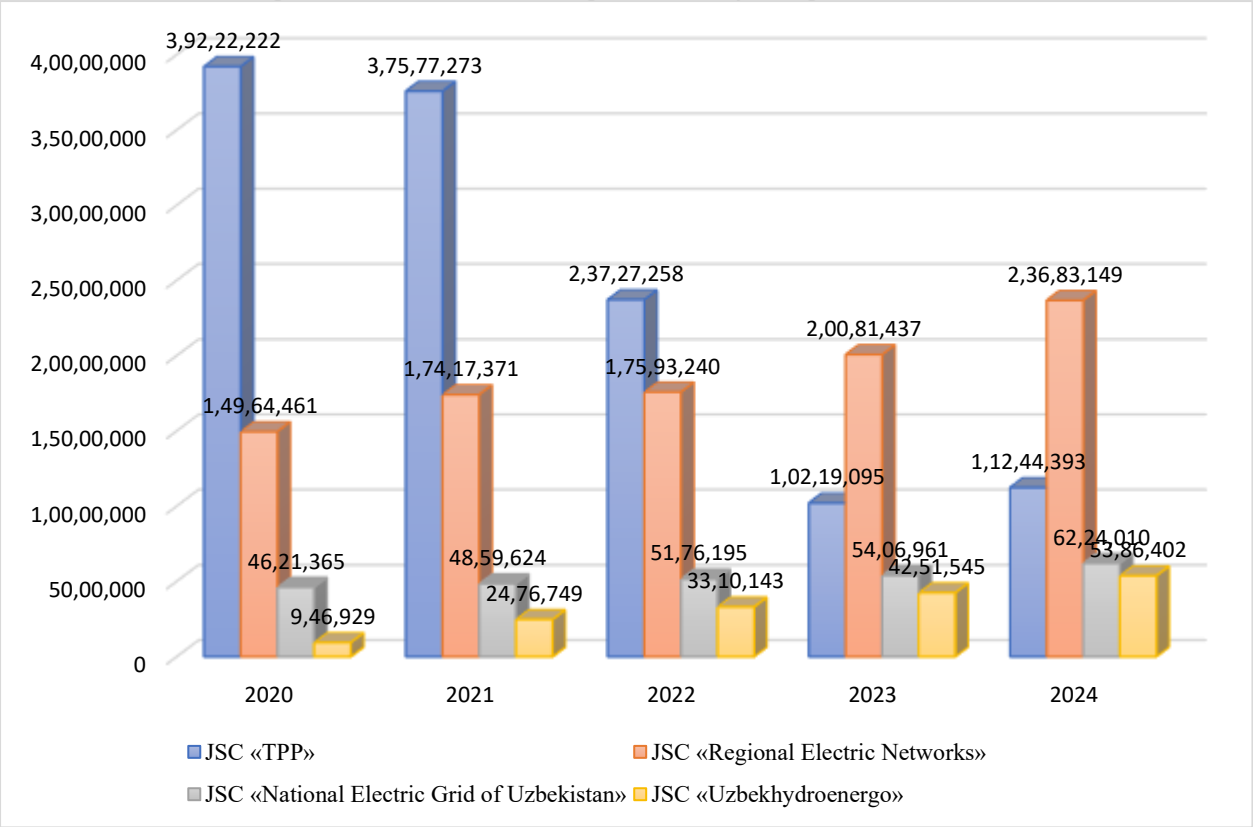


Figure 3. Audit of Residual Value of Fixed Assets of JSC «TPP», JSC «Regional Electric Networks», JSC «National Electric Grid of Uzbekistan», JSC «Uzbekhydroenergo» during the Reporting Period, Million Soums

According to analysis data, different changes in the residual value of fixed assets were observed in all research objects. At JSC «Thermal Power Plants», the residual value of fixed assets was 39.2 trillion soums in 2020 and decreased to 11.2 trillion soums in 2024. This decrease is related to the depreciation of fixed assets and the derecognition of some objects.

At JSC «Regional Electric Networks», the residual value of fixed assets increased from 14.9 trillion soums to 23.6 trillion soums. At JSC «National Electric Grid of Uzbekistan», this indicator rose from 4.6 trillion soums to 6.3 trillion soums. The increase in the value of fixed assets occurred as a result of the construction of new electric networks, modernization of existing facilities and renewal of technical equipment.

Accounts receivable constitute an important part of the enterprise's assets and its management is of great importance for financial stability.

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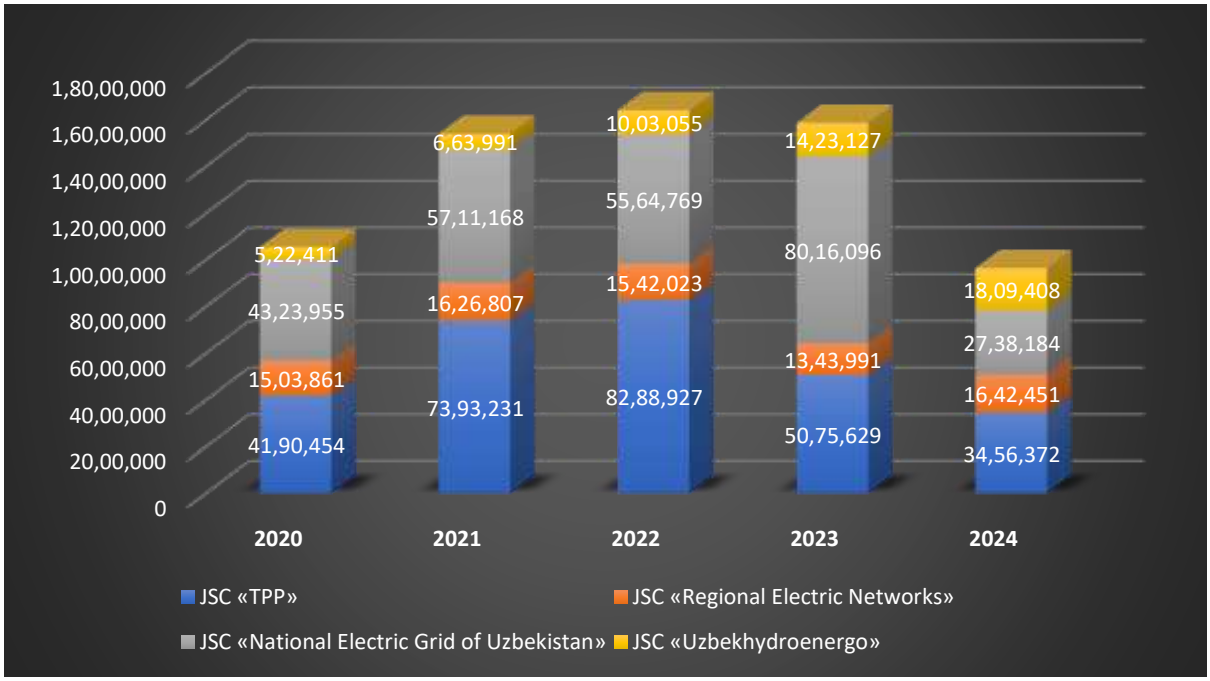


Figure 4. Audit of Accounts Receivable of JSC «TPP», JSC «Regional Electric Networks», JSC «National Electric Grid of Uzbekistan», JSC «Uzbekhydroenergo» during the Reporting Period, Million Soums

At JSC «Thermal Power Plants», accounts receivable was 4.1 trillion soums in 2020 and decreased to 3.4 trillion soums in 2024. This positive trend demonstrates the improvement of work on debt collection. At JSC «Regional Electric Networks», accounts receivable increased slightly from 1.5 trillion soums to 1.6 trillion soums. At JSC «National Electric Grid of Uzbekistan», accounts receivable decreased from 4.3 trillion soums to 2.7 trillion soums.

The decrease in accounts receivable confirms the effectiveness of work being carried out by enterprises to improve payment discipline. However, based on the characteristics of the electric power industry, maintaining accounts receivable at a certain level is a natural phenomenon, as certain terms are established in settlements with consumers.

The preparation of financial statements in accordance with IFRS is an important condition for achieving the positive aspects of organizing equity capital accounting. Accounting and reflecting equity capital should be carried out in a systematic manner based on accounting principles, completeness and reliability. In joint-stock companies, equity capital data is reflected in a systematic manner based on accounting principles, completeness and reliability.

By organizing accounting policies in accordance with IFRS, the reliability and completeness of accounting data is ensured. Based on principles of prudence, data in accounting documents must be accurate and correspond to their specific characteristics. The reliability principle is important, and economic processes in joint-stock companies are conducted based on objective data.

The main goal in business entities of establishing and conducting production, commercial and entrepreneurial activities is to achieve high performance. Proper organization of accounting serves to ensure its greater reliability in preparing financial statements. During the process of privatization, withdrawal from state ownership and corporatization, the capacity of economic entities based on different ownership is characterized by their equity capital indicator.

Joint-stock companies cannot continuously develop their activities without having sufficient equity capital and their ability to withstand competition arising in the market will be weak. Therefore, having equity capital and constantly increasing it for joint-stock companies is an important element guaranteeing their development. First

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of all, when organizing accounting work, it is necessary to form accounting policies in a perfect manner and create methodologies for preparing reports that are understandable to any users and ensure effective management.

The economic stability of business entities is directly related to the development of the country's economy, and developing the conceptual foundations of preparing financial statements serves their development and strengthening. The increasing importance of financial resources in economic entities is manifested in forming capital funds and increasing production capacity, as well as in financing current activities.

The financial stability of an economic entity depends on what funds it has in activity results, their appropriate formation of long-term and current assets. Financial statements should fully and reliably reflect these processes. Statements prepared in accordance with IFRS show the real financial position of the enterprise and provide investors with necessary information to make informed decisions.

There are specific features of the transition to IFRS in the electric power industry. Enterprises in this sector have large fixed assets, and their valuation and depreciation require a special approach. The composition and classification of inventories, the formation of accounts receivable should also be carried out taking into account sector characteristics.

The cash flow statement plays a key role in assessing the enterprise's liquidity position. This statement separately shows cash flows from operating, investing and financing activities. In the electric power industry, investment activity has large volumes, and significant funds are spent on implementing large infrastructure projects. This must be correctly reflected in the cash flow statement.

The statement of changes in equity shows in detail all changes in the enterprise's capital composition. This statement reflects changes in charter capital, profit distribution, formation of reserve capital and other operations. For joint-stock companies, this statement is particularly important as it allows shareholders to track changes in their investments.

The profit and loss statement is the main tool in assessing the enterprise's economic efficiency. This statement shows income and expenses, operating profit, financial results and net profit. The profit and loss statement prepared in accordance with IFRS is based on international principles of revenue recognition and expense reflection.

Analysis results determined that it is necessary to disclose the opportunities, conditions and content of preparatory work that should be carried out for the transition to IFRS in sequence and organic connection. It was proven that there is a need to take a step towards the transition to IFRS today to satisfy tomorrow's need for financial statements prepared based on IFRS. Because achieving financial reporting based on IFRS is not a process that can be carried out completely in one stage without errors.

Preparing and carrying out work on preparing financial statements in accordance with IFRS is a process that requires many attempts, where experience is accumulated over time and is enriched each year. Enterprises need to approach this process step by step and apply the experience gained at each stage in subsequent stages.

CONCLUSIONS AND RECOMMENDATIONS

Research results allowed arriving at a number of important conclusions regarding issues of preparing main financial statements in accordance with IFRS in electric power industry enterprises. It was confirmed that the balance sheet, profit and loss statement, cash flow statement and statement of changes in equity are interrelated reporting forms reflecting the enterprise's financial position from different aspects.

The dynamics of financial indicators of large joint-stock companies in the electric power sector during 2020-2024 demonstrates the relevance of the transition to IFRS. The composition and structure of assets, formation of equity capital, volume of inventories, amount of cash, value of fixed assets and dynamics of accounts receivable prove the need for transparent financial reporting.

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