

Guidelines for Ensuring Reliability of Financial Reporting

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Abstract: This article covers the issues of ensuring the reliability of financial statements. As a result of the conducted research, the factors affecting the reliability of financial reporting were revealed and directions for increasing the reliability of information were recommended.

Key words: financial reporting, international standards of financial reporting, materiality, audit, reliability, continuity, accounting information systems.



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INTRODUCTION

In recent years, special attention has been paid to the issues of rapid development of our country's economy and active attraction of foreign investments. In this regard, regulatory legal documents are being improved and a favorable investment environment is being formed. In this process, special attention is paid to the preparation of financial statements of economic entities based on international standards. Decree of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures to transition to international financial reporting standards" PQ-4611- also in the decision of number The issue of providing foreign investors with the necessary information environment and expanding access to international financial markets [2] by accelerating the transition to international standards of financial reporting is a clear proof of this.

Presentation of financial statements of economic entities based on international standards is an important source of information for investors. Because financial reports prepared on the basis of international standards are reliable and truthful.

Financial reporting is one of the most important management tools of an economic entity, as well as a source of information about its activity results, which allows to assess the current state of an economic entity and its future prospects. In addition, financial reporting is the basis for making effective management decisions. In order to achieve the above mentioned results, it is appropriate to pay special attention to ensuring the reliability of information in financial reports.

LITERATURE REVIEW

In the economic literature, special attention is paid to ensuring the reliability of financial statements. In particular, economists Ya.V. Sokolov and S.M. Bychkova according to m reliability of academic reports is considered from the point of view of the concept of "true and fair view" and

is also related to the auditor's conclusion. If the information contained in it is quantitatively insufficient, and in terms of quality does not meet the reasonable expectations of existing and potential users, the report does not meet the requirements of reliability and good faith [12].

T. Yu. Druzhilovskaya, T.N. Korshunova, A.A. Khodyrevas noted by mthe reliability of the financial report should be understood as the truthfulness of the information presented in it, which reflects the financial situation and results of the organization and allows the users of the reports to make the right economic decision about the organization [6].

According to Ahmed al Dmur, the reliability of financial reporting is directly related to accounting and internal control systems [5].

V.V. Kotovaccording to bReliability of accounting (financial) reports is a category of assessment that takes into account the estimated usefulness of information for users who make economic decisions [7].

Natavut Tontiset and Sirilak Kaivinut concluded that the main purpose of financial statements is to provide useful information for making economic decisions. The reliability of financial reporting is determined by providing financial reports that are considered useful in making economic decisions [8].

Also, these scientists emphasized that the reliability of the financial report is directly related to the professional ethics of the accountant, accounting information systems, internal and external audit [9].

According to S.A. Adediran, S.A. Alade and A.A. Oshode, the professional ethics of the accountant is the main influencing factor on the reliability of the financial report [4].

According to Yusuf Shahvan, the reliability of financial reporting refers to reliable prepared reports in making economic decisions [10].

M.M. Semchenkoaccording to bthe reliability of the accounting report represents the level of accuracy of the accounting report data that allows the authorized user to draw conclusions based on the results of the activities of economic entities and make decisions based on these conclusions [11].

ANALYSIS AND RESULTS

Financial reporting reliability is defined differently in different countries. For example, in Great Britain it is related to the concept of "reliable and honest opinion", which is related to the rules set out in the legislation and the auditor's report. In the US, the reliability of reporting data is determined by the concept of "reliable and accurate (in mathematical terms) view". In Germany, the reliability of financial reporting is determined by its compliance with the requirements of regulatory documents.

In Uzbekistan, the report is considered reliable in cases where it is formed in accordance with the current normative and legal documents. In particular, the main rules of the preparation of the financial report of the organization are reflected in the "Conceptual basis for preparation and presentation of the financial report" registered by the Ministry of Justice of the Republic of Uzbekistan on August 14, 1998 with the number 475. This document states that information is reliable if it is free from material errors or biases and can be relied upon by users [3].

The main document determining the reliability of the financial report is the Law "On Accounting" adopted on April 13, 2016 No. ORQ-404. According to Article 3 of this Law, continuity, reliability, comparability of indicators are the main principles of accounting [1].

Reliability of financial reporting is the level of accuracy of information presented to external and internal users, which serves to ensure rational economic decision-making in order to increase the

efficiency of the business entity. In our opinion, the reliability of financial statements is affected by the following factors (Figure 1).

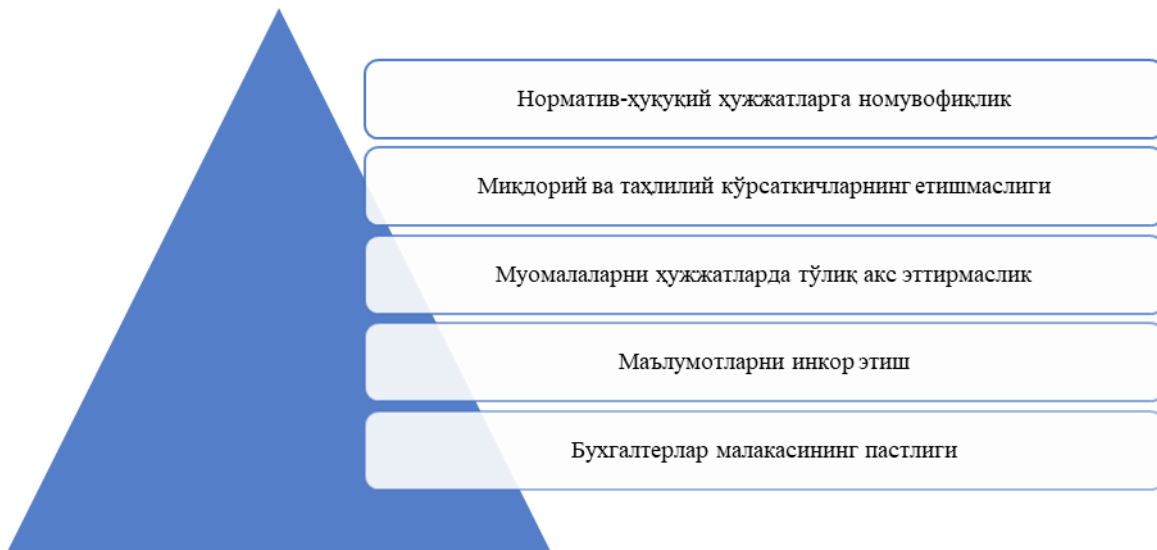


Figure 1. Factors affecting the reliability of financial reporting¹.

The factors noted in the above picture significantly affect the quality of information presented in financial statements. These factors can be both objective and subjective.

In order to ensure the reliability of the financial report, actions such as the inventory of assets and liabilities, the comparison of the preliminary accounting documents with the balances according to the schedules are performed. This may indicate that the reports are properly prepared and that there are no distortions. But in practice, the inventory is often carried out formally, and not all documents are reflected in accounting. It is very difficult to monitor and prevent such carelessness of the accountant in the preparation of financial statements, therefore, the probability of intentional distortion of data in accounting practice is high, which means falsification of information about the financial and economic activities of the organization in order to deceive and mislead its internal and external users.

It is worth noting that falsification of financial statements poses a great risk, because it is directly related to the decrease in the amount of tax revenues to the budget, the increase in the risks of business activities and the deterioration of the economic environment in the country. Therefore, the main task of the enterprise is to find methods that ensure the reliability of financial reporting and exclude the possibility of falsification of reporting data. In our opinion, the following methods can ensure that the reliability of the report is high.

1. Carrying out an inventory.

Inventory is a method of verifying that the actual assets and liabilities of the organization are in accordance with the accounting information.

According to the methodological instructions, the main purpose of the inventory is to check the availability of the actual property, to compare the conformity of the actual property with the accounting information, to check the completeness of the reflection of liabilities in the accounting.

Before preparing the annual financial report, the inventory is mandatory, it should ensure the reliability of the information about the value of the property and the amount of the organization's liabilities in accordance with regulatory documents. But, as mentioned above, in the absence of

¹Compiled by the author.

appropriate control, the inventory may be carried out formally and may not have an objective assessment.

In addition, low-quality inventory can be the cause of the violation of completeness of reporting data, as well as serve as a method of falsifying the report.

2. Independent audits.

An independent audit allows not only to confirm the reliability of financial reporting, but also to receive recommendations for improving it and increasing the efficiency of the organization's activities.

According to the Law No. 787-II "On Auditing Activities" adopted on May 26, 2000, the audit can be carried out in the form of mandatory or initiative. In addition, this law defines the purpose of the audit, which is to express an opinion about the reliability of financial statements and the compliance of accounting procedures with regulatory legal documents.

The reliability of the report data in the audit means the ability to assess the accuracy of the provided data, the financial and economic status of the organization and to draw truthful conclusions based on them. In other words, reliability is expressed as the degree of probability of misrepresentation or omission of information that may affect the rationality and accuracy of economic decisions in financial statements. In auditing, such a probability is called a materiality level and serves as a guide to determine the reliability of the report.

At the moment, there is no single methodology for calculating the level of importance in the audit, so each auditing organization chooses the basic value of this indicator. Thus, we can say that the audit does not guarantee the absolute reliability of financial statements, because, firstly, it allows slight deviations in the reported data, and secondly, it does not check all the documents of the organization.

3. Outsourcing accounting.

Accounting outsourcing is a new type of service, but it has been used for a long time and has gained a reputation in the west. Accounting outsourcing is an opportunity to entrust the accounting of all financial matters to a foreign organization or a private individual specializing in this type of activity.

The high level of expert experience of the outsourcing service allows to obtain the most reliable reports, increase the efficiency of the organization's activities and ensure the stable development of the business.

But despite all the advantages of using accounting outsourcing, there are a number of obstacles that prevent its spread in our country. Most of the managers are used to seeing the accountant in the staff and personally controlling his activities, and the managers of small businesses often prefer to manage the accounting themselves rather than outsourcing it to an outside organization. Also, the legal and information base on outsourcing service is not fully formed in the country.

There are no internal rules for outsourcing, licensed and certification associations that monitor the quality of services provided and resolve disputes that arise.

4. Transition to international standards of financial reporting

The basis for preparing a financial report according to MHXS is compliance with all standards and regulatory documents. A report that reflects the real situation of the organization in the market, its activity in all aspects and is free from errors, distortions, and non-objective assessments is considered reliable according to MHSS.

When preparing a financial report according to the MFRS, the organization's assets are evaluated according to the current value, which reflects the true value of the business, and the reliability and objectivity of the information is formed based on the professional judgment of the accountant.

In our country, not only the uncertainty of the accountant's professional opinion, but also many other factors are a problem in the application of MFHSS. For example, among them, the most important ones that prevent the use of international standards are the uncertainty of translations and the complexity of the interpretation of the International Standards in the practice of our country, as well as the features of accounting.

CONCLUSION

In conclusion to the conducted research, it can be said that currently the enterprises of our country have problems with ensuring the reliability of financial reporting, despite the fact that there are methods that allow to increase the level of reliability of reporting data. This is due to the fact that the legislation is not perfect and the rules of national accounting standards are not clear, the regulatory framework for providing services such as outsourcing has not been developed, it is difficult to move to international standards of financial reporting, and the objectivity and reliability of accounting depends more on the human factor.

Implementation of the proposed ways of solving problems will make it possible to make the financial reporting of our country more competitive in the world arena, as well as to win the trust of internal and external users.

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