

Users of Financial Statements and their Information Requirements

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Abstract. *In this article, the author has conducted theoretical and practical studies on the users of financial statements and their information needs. In particular, the users of financial statements, their classification and requirements are described.*

Keywords: *information, financial reporting, user, internal and external employees, demand, owner, enterprise assets and liabilities, net profit.*

Introduction.

In the context of globalization, the prospects for economic cooperation between countries of the world, including increased interdependence, expanded cooperation in the fields of tourism, industry, energy and agriculture, and ensuring mutual integration of accounting and financial reporting between countries, are of great importance. In recent years, a regulatory framework has been created in Uzbekistan and practical work is underway to harmonize the existing accounting and financial reporting system with international financial reporting standards (IFRS). In particular, in accordance with the decree of the President of the Republic of Uzbekistan dated February 24, 2020 "On additional measures for the transition to international financial reporting standards" DP-4611¹ Joint-stock companies, commercial banks, insurance organizations and legal entities included in the category of large taxpayers organized accounting on the basis of IFRS from January 1, 2021 and from the end of 2021, financial statements will be prepared on the basis of IFRS, and business entities that voluntarily prepare financial statements in accordance with IFRS will be exempt from presenting financial statements in accordance with national accounting standards. So, the trend today is that full compliance with international standards for the preparation and presentation of financial statements, including statements of financial condition, is required.

Literature review.

Various approaches, opinions and definitions are given to the concept of financial reporting in international and national standards, as well as by academic economists. It is known that accounting and financial reporting in our republic are being harmonized with international standards. IFRS No. 1 "Presentation of Financial Statements" mentions the following term: "General purpose financial statements" (called "financial statements") are financial statements designed to meet the needs of users who do not have the ability to require an entity to prepare reports that meet their specific information needs. needs"². "Financial statements are a reporting entity that provides information about the economic resources, claims on the entity, and changes in those resources and claims that meet the definitions of the elements of the financial statements"³. The purpose of a financial statement is to provide financial information about the assets, liabilities, private equity, income and

¹ Decree DP-4611 "On additional measures for the transition to international financial reporting standards." February 24, 2020.

² IFRS No. 1. Presentation of Financial Statements (2020 paragraph 7).

³ Conceptual framework. Paragraph 3.2.

expenses of the reporting entity that will be useful to users of the financial statement in estimating the reporting entity's future net cash inflows and in evaluating the performance of the entity's management in stewardship of economic resources.

The conceptual basis of national accounting standards used in the practice of our republic states the following: “Financial reporting is an integral part of financial reporting and is determined by the NAS. The financial statements also include notes, estimates and explanations based on or related to the statements. Such information should reflect financial information about the activities of industrial and geographical areas and explain the impact of price changes on financial results⁴. Comparing the terms and definitions given in both standards, it can be seen that the financial statement in the international standard is intended mainly for users, while in the national standard it is intended to show the financial condition of the enterprise.

Economists and experts have given the following definitions and opinions to the concept of financial reporting, including, according to A. Karimov: “A financial report is a document that provides complete information about the financial condition of an organization, its activities and cash flows for a certain period of time, as well as analysis of the financial condition of the organization and is an important decision-making tool⁵. According to A. Ibragimov: “The report is a collection of information about the results and operating conditions of business entities in the past, which is used for the purposes of analysis, control and management of their activities”⁶.

According to S. Tashnazarov: “Financial reporting is a system that includes truthful and high-quality information about the financial condition of an organization, the results of its financial and economic activities, and cash flows based on generally accepted rules. It is aimed at providing internal and mainly external users of information with their general need for information for decision-making and control”⁷. According to I. Ochilov: “A financial report is a document containing information about the financial results of enterprises for a certain period. It also reflects changes in the financial position at the reporting date”⁸. According to B. Khoshimov: “To clarify the end of the activities of a joint-stock company for a certain period, “summarizing and bringing information into a unified system” is achieved by drawing up a report, “the report is a set of information about the results and conditions of work of the joint-stock company over the past time, on the basis of which an analysis of activities used for control and management purposes is carried out”⁹. According to I. Ibragimova: “The international accounting system is a method of preparing financial statements and generating financial statements, based on the use of its theoretical ideas and conceptual framework to strengthen its information capabilities”¹⁰.

Foreign economists B. Needles, H. Anderson, D. Caldwell gave the following definition: “Financial reporting is a model of economic entities. Although the report may not reflect the full picture of the true state of affairs, it is the most acceptable attempt by accountants in this regard”¹¹.

R. Anthony, J. Rees described the reports as follows: “The status report and the statement of changes (movements), where the balance sheet is included in the report of the first category. It provides information about a subject's resources at a particular point in time”¹².

⁴ Conceptual framework for the preparation and presentation of financial statements. NAS.. <https://lex.uz/docs/828557>

⁵ Karimov A., Kurbanbaev Zh., Jumanazarov S., Khalilov Sh. Financial accounting and reporting. Study guide. – T.: Economics and Finance, 2018. – 400 p.

⁶ Financial and management accounting / Textbook. Co-author-T: “ECONOMICS-FINANCE”, 2020 – 467 p.

⁷ S. Tashnazarov. Financial accounting 1 [Text]: textbook / Samarkand Institute of Economics and Service - Samarkand-2023 - 580 pages.

⁸ I. Ochilov, N. Rizaev, M. Kalonov. Accounting/Textbook (for non-specialized undergraduate courses). -T.: “Nihol print” OK, 2022, – 318 p.

⁹ Khoshimov B. Accounting theory. -T.: “Generation of the new century”, -2004.-P. 242.

¹⁰ I. Ibragimova. Improving the implementation of international financial reporting standards in the practice of joint-stock companies. 08.00.08-Author's abstract of a dissertation for the degree of Candidate of Philosophical Sciences (PhD) in the specialty Accounting, Economic Analysis and Audit. 2022.

¹¹ Nields B. et al. Principles of accounting. /Translation from English edited by Y.V. Sokolova. M.: Finance and Statistics, 1993. -496 p. P.16.

¹² Anthony R., Rees J. Accounting: situation and examples: Translation from English edited and with prefaces by A.M.

Thus, the various definitions and approaches given in the economic literature have the sole purpose of financial reporting, in particular the statement of financial position of an enterprise, to summarize and present to users important information about the financial condition of an enterprise.

Methodology.

The article describes the procedure for bringing financial reporting into compliance with international standards, the transformation of reporting forms in our republic, in particular the reporting form presented under the name of the current balance sheet, is described in international terms. Currently, in order to bring the "statement of financial position" into compliance with the required form, revise its articles, formulate proposals and practical recommendations on issues such as evaluating report articles, the study uses techniques such as induction and deduction, analysis and synthesis, systems approach, logical thinking, comparison. Also, in the issue of compiling and presenting a statement of financial position, accounting methods were widely used, including: valuation, double entry, chart of accounts, registers of accounts.

Analysis and results.

Beneficiaries of financial reporting include actual and prospective investors, creditors, product suppliers, customers, employees, as well as government institutions, ministries, agencies, the public and other interested users.

Users of financial statements can be divided into 2 groups:

- ✓ *internal users (administrators);*
- ✓ *external users (those outside the enterprise).*

Internal users are the management of an economic entity - individuals who are fully responsible for managing the activity and achieving its goals. They use information for budgeting, cost accounting, product costing, segment reporting and transfer pricing, and operational management in making management decisions.

Owners - they will benefit from increased dividends on their initial investment. Financial accounting and reporting allow them to evaluate the effective use of the funds invested by the management of the economic entity.

Employees and servants of the entity are interested in information that allows them to assess the potential for providing them with wages, benefits, and various social services.

External users can include suppliers, separate divisions, buyers and customers, lenders and creditors, investors, tax authorities, banks, financial institutions, and other groups such as statistics. Annual financial statements should be open to external users. In this regard, according to the Law of the Republic of Uzbekistan "On Accounting", open joint-stock companies, insurance companies, banks, stock exchanges, investment funds, and other similar business entities are required to publish annual financial statements by May 1 of the following year after the accuracy of the information provided has been confirmed by auditors.

Based on the requirements for the content of accounting information by internal and external users, the accounting system was divided into two types under the conditions of economic liberalization: financial and management accounting.

Financial accounting provides information for external users who are not part of the entity. Management accounting prepares information for internal users, managers. That is, while financial accounting provides information about past events, management accounting summarizes information about future transactions.

Also, *management accounting* is the collection and processing of product cost information.

This information is a trade secret of the enterprise and is used only by management personnel. For the operational management of the enterprise, the enterprise develops its own accounting system.

Information about production costs, product volume, demand and supply, customer status and other information play a key role in this.

Table 1. Financial report from the data users and their requirements¹³

No.	Groups	To the activity of the subject contribution	Requirements	Analysis object
Internal users				
1	Administration	The case to know and leadership to do	To work right payment and awards	Management for useful information
2	Shareholders	Uz investment	Dividends	Financial results
3	Employees	Things to perform	Work right and social services	Financial results
External users				
4	Delivery of goods providers	TMZs delivery to give	Contract evaluation	Financial situation
5	Buyers	Product and purchase services to take	Contract evaluation	Financial situation
6	Creditors	Debt investment	Interest	Balance sheet liquidity
7	Investors	Investments	By investment income	Financial results
8	Tax institutions	Tax privileges	Tax payments and fees	Financial results
9	Others	Every trick	Every trick	Every trick

financial account production account information, processing and filling out appropriate financial reporting forms and delivering it to the appropriate management apparatus and external information consumers.

External data consumers are interested in:

- ✓ the enterprise is an asset and passives composition ;
- ✓ his/her liquidity ;
- ✓ own and on loan taken funds ;
- ✓ assets rotation speed ;
- ✓ sold product and everyone of assets profitability ;
- ✓ property in the owner's possession retained net profit ;
- ✓ if participation company if , to pay dividends quantity

Information for users of financial statements was demand in the following into existence comes :

in investors present done investments with related risks relationship with . Shareholders both household subject dividends payment ability to evaluate possibility giving and shares sell to take , to keep or sale necessary to determine help giving from information are interested ;

credits and interest rates own on time payment to determine possibility giving from information interested in creditors ;

¹³Author development as a result of research.

amounts own on time payment to determine possibility giving from information interested was product delivery providers and other trade in creditors ;

household driver of the subject continuous activity about from information interested was in buyers , especially they are long fixed-term to the deal owner if they are or present household driver to the subject related if they are ;

household driver of subjects activity stability and profitability about from information interested was in employees . They are too household driver of the subject own work salaries, pensions and later both hiring according to work opportunities provision to the ability price to give possible creative from information are interested;

Resources distribution and therefore, of subjects activity about from information interested was state management in the bodies. To them both household driver of the subject activity in order putting to stay, to pay taxes weight policy designation for and national income and other statistics determination for basis as information need .

In the community too, because businesses can make a significant contribution to the local economy in many ways, including providing employment and supporting local suppliers. Financial reporting helps the community by providing information on the direction of development and recent achievements in improving the well-being of businesses.

The head of the economic entity is responsible for the preparation and presentation of financial statements. The manager has the right to determine the form and content of additional information in order to satisfy his requirements. However, discussion of such additional information forms is beyond the scope of this conceptual framework.

In accordance with the Law of the Republic of Uzbekistan "On Accounting", it is established that the annual financial statements of business entities are open to interested banks, stock exchanges, investors, creditors, as well as other persons in accordance with the legislation. In this case, joint-stock companies, as well as insurance companies, banks, public funds and other organizations in accordance with the legislation, publish their annual financial statements together with the audit report at least two weeks before the date of the annual general meeting of shareholders or other supreme governing body of the accounting entity.

An entity must present a complete set of financial statements (including comparative information) at least once each year. Typically, an entity prepares financial statements consistently over an annual period and prefers to report over a 52-week period.

The company's management is also interested in financial information. However, management has the right to request such information not from the financial statements, but directly from internal sources (accounting). From this perspective, it becomes clear that management is not included among the users of financial statements.

In our view, financial statements may be useful to other groups of users, such as regulators and the public, in addition to investors, lenders and other creditors who use financial statements. However, financial statements are not intended for such other groups of users. Therefore, the strict format of financial statements required by the laws of various countries does not necessarily imply financial statements prepared in accordance with IFRSs.

It should be noted that financial statements are not intended to show the value of enterprises. However, they provide information that helps to estimate the value of the enterprise. Thus, the purpose of financial statements is not to show the value of the enterprise, but to enable us to determine the value of the enterprise using financial statements and external data or the services of independent appraisers to derive its value.

Conclusions and offers.

We believe that existing and potential investors, lenders and other creditors of a financial statement cannot require the reporting entity to provide them with the information they need directly, that is, they can obtain the financial information they need from the financial statements. Also, financial

statements do not and cannot provide all the information that users need. As a result, users are required to obtain relevant information from other sources, including general economic conditions and expectations, political events and the political climate, and forecasts for the industry and the entity.

Research shows that the most important financial reporting formats are the statement of financial position and the statement of financial performance. Stakeholders consider the latter to be the most important information-providing report. The IASB has also changed its position on this issue several times. For example, the 1989 revision of the conceptual framework stated that these reports were equally powerful, while the 2010 revisions emphasized that the main focus should be on financial performance. Thus, for users of financial reporting, the first priority is the statement of profit and loss, a practice that is currently being effectively implemented in Hong Kong.

International standards reaffirmed the equality of these reports on a new conceptual basis in 2018. However, in accordance with IFRS 18, published in April 2024, the sequence of financial reporting formats now begins with the statement of financial position, not the statement of financial performance.

In conclusion, it can be noted that bringing the financial statements in line with the current standards gives an opportunity to increase the flow of real investment for our republic.

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