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INTERNATIONAL AND NATIONAL FINANCIAL REPORTING STANDARDS ON CASH FLOWS

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Abstract
The article discusses some aspects of national and international financial reporting standards. When comparing them, the similarities and differences of the general provisions of national and international accounting standards and the main prerequisites for the emergence of discrepancies between them are considered. The purpose and significance of standards, as well as their role in the economic life of the Republic of Uzbekistan are considered.

Keywords: IFRS, National Accounting Standards, accounting reporting, financial reporting reform.

Introduction

One of the main tasks of accounting is the formation of complete and reliable information about the activities of an economic entity, its property status, the movement of funds, liabilities, and business operations [5]. The importance of accounting is increasing due to the development of national economies, the emergence of new business conditions and business activity of economic entities [6].
The Cash Flow Statement (CFS) is an important document informing users of financial statements about the liquidity and solvency of the enterprise, allowing them to assess the professional abilities of the management to rationally manage the monetary resources of this business entity, determine the need for capital, develop a strategy for self-financing of the enterprise.
The object of generalization in the CFS both according to international (IFRS 7) and American standards (SFAS 95) are cash on hand, on accounts and other financial organizations, certificates of deposit.
When compiling the CFS, the so-called “cash equivalents” are equated to cash. These include short-term, highly liquid investments (investments) that can actually and quickly be converted into a known amount of cash in advance and are subject to an insignificant risk of changes in value. Under US standards, they have a maturity of less than three months. International standards do not impose such a restriction.

When determining the composition of cash equivalents, it is necessary to avoid the formal, simplified application of the maturity criterion, - L.Z. Shneidman belives [3]. Three months should not be considered as an absolute requirement. In each case, specific facts and circumstances must be taken into account, in particular, the stability of the interest rate under given conditions for a certain period of time, the chances that such stability will continue in the future. Even if the maturity of a financial instrument is less than three months from the date of acquisition, but there are doubts that the borrower will repay its obligations in full upon the onset of the corresponding period, investments in such an instrument should not be considered as cash equivalents.

In addition, the CFS should not include information about the company's deposits, the return of which is possible only after the expiration of the established period, as well as under loan agreements that do not provide for their termination on first demand.

Investments recognized as cash equivalents are kept on the balance sheet most often not to receive investment income or control over the activities of the enterprise, but to ensure the timely fulfillment of short-term obligations. An important point in compiling the CFS, according to national standards, is that at present, in accordance with NAS No. 9, in order to increase the analyticity of the final information, an organization can take into account, in addition to cash flow data, also the movement of their equivalents. As B. Needles and co—authors noted, cash equivalents should not be confused with short-term financial investments, since the acquisition of market securities is considered in the CFSS as an outflow of funds, and their sale as an inflow of money [2, p.332].

According to IFRS 7, the accounting policy adopted by the enterprise to include assets in cash equivalents is subject to disclosure, since in practice a variety of techniques and methods of cash management are used, as well as numerous banking transactions. In our legislation, cash equivalents are short—term, highly liquid investments (financial investments) that are quickly and easily converted into known monetary amounts and confirmed by a slight risk of fluctuations in their value.

In accordance with both national and international accounting and reporting standards, the CFS provides information on cash flows during the reporting year in the context of current (operational), investment and financial activities.

The definition of activities in accordance with the national regulatory document and the international standard is given in table 1.

Table 1 Definition of activities in accordance with international and national financial reporting standards

Activities	Interpretation of concepts	
	International Standard (IFRS 7)	National Accounting Standard of the Republic of Uzbekistan NAS No. 9 (Registered by the Ministry of Justice of the Republic of Uzbekistan on November 4, 1998)
Operating (current)	Principal income-generating activities and other activities other than investment and financial activities	the main activity of an economic entity that generates income, as well as other economic activities of the entity that are not related to investment and financial activities.
Investment	Acquisition and sale of long-term assets and other investments not related to cash equivalents	acquisition and sale of long-term assets and other investment objects not included in cash equivalents
Financial	Activities that lead to changes in the size and composition of the company's capital and borrowed funds	activities of an economic entity, the result of which is a change in the amount and composition of equity and borrowed funds.

The main purpose of this division of cash flows is to identify from which sources the funds were received for the period.

The cash flows of the main (current) activity allow us to assess the company's ability to generate funds to support the economic process and identify trends in increasing turnover caused by the increase in production capacity.

The cash flows of investment activities show to what extent future production facilities will be able to support the existing level of operating activity and provide the specified levels of profitability and liquidity.

Information about the cash flows of financial activities is of interest from the point of view of future claims of the owners and creditors of the enterprise on the cash flows generated by it [4].

The definitions of "core", "investment" and "financial" activities adopted in IFRS 7 and SFAS 95 are close to similar concepts used in the preparation of CFSS of national accounting statements. However, there are some differences regarding the interpretation of the components of cash flows in certain types of activities.

One of the ambiguously solved issues in IFRS 7 is the classification of interest and dividends. The problem is that the interest and dividends paid and received can be classified both as operating (since they are related to current, core activities), and as

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investment (since the interest and dividends received are the result of investments), and as financial (since the interest and dividends paid are the result of attracting sources of financing) activities.

International standards permit the classification of received and paid interest and dividends in any way, provided that the chosen classification will be used on an ongoing basis. According to American standards, interest received and paid and dividends received are classified as operating activities, and dividends paid are classified as financial activities [7]. In national accounting practice for banking institutions, interest paid and received, dividends are usually classified as operating cash flows. For other entities, interest and dividends paid and received may be classified as operating cash flows, as they are included in the determination of net income or loss.

The next difference is the treatment of earmarked revenues. In international accounting practice, it is customary to classify the receipt of targeted funds as financial activity, while in the annual financial statements recommended by national regulatory documents, budget funds are classified as current activities.

It seems to us correct to consider the gratuitous receipt of earmarked funds as current activities only if these funds are received in the form of financing expenses incurred by the organization in previous reporting periods, since in accordance with the national accounting methodology such receipts are immediately included in the other income of the organization.

In addition, targeted funds can be received both to pay for current expenses and to pay for capital expenditures. In any case, they lead to an increase in the organization's own capital. And if we rely on the definition of financial activity (Table. 1), presented in NAS No. 9 and IFRS 7, then it can be considered quite legitimate to attribute such an inflow of funds to the financial sphere.

Certain non-cash transactions associated with operating, investing and financing activities, in accordance with IFRS 7, must be presented in an appendix to the financial statements. Information about such transactions is subject to disclosure, since they can significantly change the structure of the balance sheet, as well as affect cash flows in the future. An example of such transactions is the conversion of long-term liabilities into shares (and vice versa), the acquisition of a company by issuing additional shares, the acquisition of non-current assets under a long-term financial lease, etc.

Thus, in the national and international standards governing the procedure for compiling a cash flow statement, there are both similarities and differences. We believe that these differences between national regulatory documents and IFRS are due to

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national peculiarities of the national accounting methodology, as well as insufficient knowledge of international financial reporting standards.

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