

UNDERSTANDING THE PILLARS OF THE GLOBAL STANDARD OF ACCOUNTING

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ABSTRACT:

This article explores the pillars of the global standard of accounting, emphasizing their significance, evolution, and key components. It discusses the importance of a unified standard in facilitating international trade and investment, the historical context of accounting standards convergence, and the role of organizations like the International Accounting Standards Board (IASB) in developing International Financial Reporting Standards (IFRS). Additionally, it highlights challenges and future directions in achieving uniformity across jurisdictions.

Keywords: Global standard, accounting, International Financial Reporting Standards (IFRS), International Accounting Standards Board (IASB), convergence, financial reporting.

АННОТАЦИЯ.

В этой статье исследуются основные принципы глобального стандарта бухгалтерского учета, подчеркивая их значение, эволюцию и ключевые компоненты. В нем обсуждается важность единого стандарта для содействия международной торговле и инвестициям, исторический контекст конвергенции стандартов бухгалтерского учета и роль таких организаций, как Совет по международным стандартам финансовой отчетности (IASB), в разработке Международных стандартов финансовой отчетности (МСФО). Кроме того, в нем освещаются проблемы и будущие направления в достижении единообразия в разных юрисдикциях.

Ключевые слова: глобальный стандарт, бухгалтерский учет, Международные стандарты финансовой отчетности (МСФО), Совет по международным стандартам финансовой отчетности (IASB), конвергенция, финансовая отчетность.

INTRODUCTION.

In the interconnected world of finance, where transactions span continents and corporations operate on a multinational scale, the importance of a unified standard of accounting cannot be overstated. The global standard of accounting serves as the backbone of financial reporting, providing consistency, transparency, and comparability across borders. In this article, we delve into the significance, evolution, and key components of the global standard of accounting.

Significance of a Global Standard

A global standard of accounting plays a pivotal role in facilitating international trade, investment, and economic development. It ensures that financial information presented by companies is relevant, reliable, and comparable, enabling investors, creditors, and other stakeholders to make informed decisions. Moreover, it enhances the Credibility of financial markets, reduces information asymmetry, and fosters trust among market participants.

Evolution of Accounting Standards

Historically, accounting standards varied significantly across jurisdictions, leading to disparities in financial reporting practices and hindering cross-border investment. Recognizing the need for convergence, efforts began in the late 20th century to harmonize accounting standards globally. The International Accounting Standards Committee (IASC), formed in 1973, laid the groundwork for international cooperation in standard-setting. However, it was the establishment of the International Accounting Standards Board (IASB) in 2001 that marked a significant milestone in the pursuit of a single set of high-quality global accounting standards.

Methods:

This article utilizes a literature review approach to examine the significance, evolution, and components of the global standard of accounting. It draws on scholarly articles, reports from standard-setting bodies such as the IASB, and other reputable sources to provide a comprehensive overview of the topic. Additionally, insights are derived from historical analysis and discussions on current challenges and future directions in accounting standardization.

Results:

- The global standard of accounting plays a crucial role in facilitating international trade, investment, and economic development.



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- Efforts towards convergence have led to the development of International Financial Reporting Standards (IFRS) by the International Accounting Standards Board (IASB).

- Key components of the global standard include IFRS, conceptual framework, framework for financial statement preparation, and monitoring/enforcement mechanisms.

- Challenges remain in achieving uniformity across jurisdictions, including regulatory divergence and cultural differences.

- Continued collaboration and adaptation are essential for addressing challenges and evolving accounting standards to meet the needs of the global business landscape.

Key Components of the Global Standard

1. International Financial Reporting Standards (IFRS):

IFRS, developed and maintained by the IASB, constitute the core framework of the global standard of accounting. These standards provide principles-based guidance on the preparation and presentation of financial statements, covering areas such as revenue recognition, financial instruments, and leases.

2. Conceptual Framework:

The conceptual framework underpinning IFRS defines the fundamental concepts of financial reporting, such as the qualitative characteristics of useful financial information, the elements of financial statements, and the principles of measurement and recognition.

3. Framework for the Preparation and Presentation of Financial Statements:

This framework outlines the structure and content of financial statements, including the balance sheet, income statement, statement of cash flows, and statement of changes in equity. It establishes guidelines for the presentation, classification, and disclosure of financial information to ensure clarity and transparency.

4. Monitoring and Enforcement Mechanisms:

To uphold the integrity of financial reporting, robust mechanisms for monitoring and enforcement are essential. National regulatory authorities, stock exchanges, and professional bodies play a crucial role in overseeing compliance with accounting standards, conducting audits, and imposing sanctions for non-compliance.

Analysis:

1. International Financial Reporting Standards (IFRS):



IFRS represents the core framework of the global standard of accounting. These standards are principles-based, providing flexibility in application while maintaining consistency and comparability across jurisdictions. By establishing common principles for financial reporting, IFRS enhances transparency and facilitates cross-border investment and analysis.

2. Conceptual Framework

The conceptual framework serves as the theoretical foundation for accounting standards, guiding the development of principles that underpin financial reporting. It defines the qualitative characteristics of useful financial information, the elements of financial statements, and the principles of measurement and recognition. This framework ensures the relevance, reliability, and comparability of financial reporting practices.

3. Framework for Financial Statement Preparation:

This framework outlines the structure, content, and presentation of financial statements, providing guidelines for preparers to follow. By standardizing the format and content of financial statements, this framework enhances clarity, comparability, and transparency, enabling stakeholders to make informed decisions.

4. Monitoring and Enforcement Mechanisms:

Robust mechanisms for monitoring and enforcement are essential to uphold the integrity of financial reporting. National regulatory authorities, stock exchanges, and professional bodies play a crucial role in overseeing compliance with accounting standards, conducting audits, and imposing sanctions for non-compliance. Effective enforcement mechanisms ensure the credibility and reliability of financial information presented by reporting entities.

In summary, the key components of the global standard of accounting work synergistically to promote consistency, transparency, and comparability in financial reporting practices worldwide. By adhering to these pillars, stakeholders can trust the integrity of financial information and make informed decisions in the global marketplace.

Table 1: Key Components of the Global Standard of Accounting



Component	Description
International Financial Reporting Standards	Principles-based standards developed and maintained by the International Accounting Standards Board (IASB) governing the preparation and presentation of financial statements.
Conceptual Framework	Defines fundamental concepts underlying financial reporting, including qualitative characteristics, elements of financial statements, and principles of measurement.
Framework for Financial Statement Preparation	Guidelines for the structure, content, and presentation of financial statements, ensuring clarity, comparability, and transparency across reporting entities.
Monitoring and Enforcement Mechanisms	Mechanisms for overseeing compliance with accounting standards, conducting audits, and imposing sanctions for non-compliance, ensuring integrity and credibility.

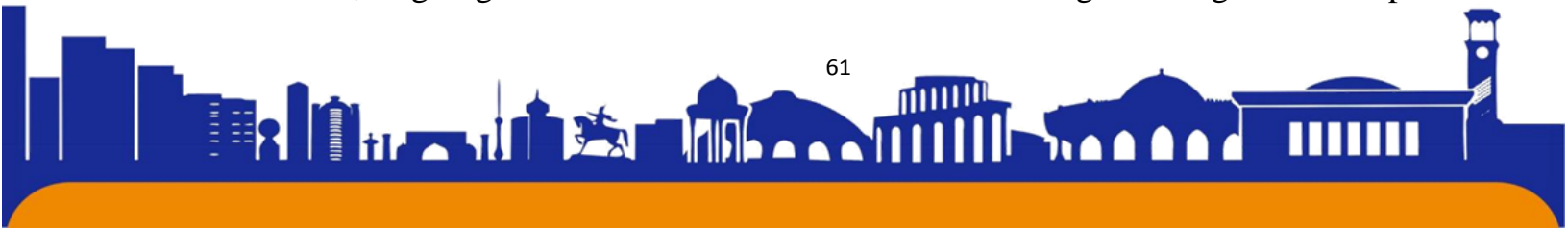
DISCUSSION

Challenges and Future Directions

Despite significant progress towards convergence, challenges remain in achieving a truly uniform global standard of accounting. Divergent regulatory frameworks, cultural differences, and varying levels of enforcement pose obstacles to harmonization efforts. Moreover, emerging issues such as digitalization, sustainability reporting, and cryptocurrencies present new complexities that require ongoing adaptation of accounting standards.

Looking ahead, the continued collaboration between standard-setters, regulators, and industry stakeholders will be essential to address these challenges and enhance the effectiveness of the global standard of accounting. Embracing technological advancements, fostering greater transparency, and promoting the adoption of best practices will contribute to the evolution of accounting standards in response to the changing landscape of global business.

In conclusion, the global standard of accounting serves as a cornerstone of financial stability and economic growth, facilitating trust, transparency, and efficiency in the global marketplace. While progress has been made in harmonizing accounting standards, ongoing efforts are needed to address remaining challenges and adapt to





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evolving trends. By upholding the principles of integrity, accuracy, and relevance, the global standard of accounting will continue to underpin the functioning of modern economies and support sustainable development in the years to come.

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