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CASH FLOW REPORTING IN UZBEKISTAN: NATIONAL ACCOUNTING STANDARDS AND INTERNATIONAL STANDARDS APPLICATION

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Abstract: Cash flow reporting represents a cornerstone of financial reporting under international standards. The International Accounting Standards Board (IASB) recognizes cash flow information as essential through IAS 7 Statement of Cash Flows, which requires enterprises to present a statement of cash flows as an integral part of their financial statements. This document examines the significance and functions of cash flow reporting within the international reporting framework.

In Uzbekistan, financial reporting has undergone significant reforms in recent years as the country works to modernize its accounting framework and align with international practices. This article examines the specific requirements for cash flow reporting in Uzbekistan, focusing on the interplay between national accounting standards (NAS) and International Financial Reporting Standards (IFRS).

Keywords and Concepts: Liquidity assessment: Evaluating an enterprise's ability to generate sufficient cash to pay debts, fund operations, and meet other short-term obligations.

Financial flexibility: The capacity of an organization to adapt to unexpected changes in its operating environment by adjusting cash flows.

IAS 7: The International Accounting Standard that governs the preparation and presentation of the Statement of Cash Flows under IFRS.

NAS: National Accounting Standards

Operating activities: Cash flows from primary revenue-producing activities (core business operations).

Performance evaluation: Using cash flow information to assess operational efficiency and management effectiveness independent of accounting choices.

Investing activities Cash flows from acquiring and disposing of long-term assets and investments not included in cash equivalents.

Financing activities: Cash flows that result in changes to the size and composition of contributed equity and borrowings.

Non-cash transactions: Investing and financing activities that don't directly impact cash flows but require disclosure (e.g., acquiring assets via leases).

Cash flow ratios: Financial metrics that analyze relationships between cash flows and other financial statement elements.

I Importance and Role of Cash Flows in Enterprises Under International Financial Reporting Standards

IAS 7 establishes the requirements for cash flow presentation and disclosure. The standard mandates that enterprises classify cash flows into operating, investing, and

financing activities, providing stakeholders with a structured understanding of an organization's cash movements. This classification system enables comparative analysis across reporting periods and between different enterprises.

Strategic Importance for Enterprises

Liquidity and Solvency Assessment

Cash flow reporting provides critical insights into an enterprise's ability to generate sufficient cash to maintain operations, repay obligations, and fund growth initiatives. While profitability metrics remain important, cash flow indicators often serve as more reliable indicators of financial health, particularly during economic downturns when the timing of cash receipts becomes paramount.

Performance Evaluation Independent of Accounting Policies

Cash flows represent actual monetary movements rather than accounting estimates or accruals. This characteristic makes cash flow information less susceptible to manipulation through accounting policy choices, providing stakeholders with a more objective measure of performance. The statement of cash flows thus complements the income statement and balance sheet by offering perspective unaffected by non-cash transactions.

Investment Decision Support

For investors and creditors, cash flow information facilitates assessment of:

- The quality of an enterprise's earnings
- Capacity to generate future cash flows
- Ability to pay dividends
- Need for external financing

Strategic Planning Framework

Management utilizes cash flow data to formulate capital expenditure plans, determine optimal financing structures, and establish sustainable dividend policies. Historical cash flow patterns provide valuable inputs for forecasting future financial requirements.

International Harmonization Benefits

The standardization of cash flow reporting under international standards delivers several advantages:

Enhanced Comparability

IFRS requirements create uniformity in cash flow presentation across national boundaries, enabling investors to compare enterprises from different jurisdictions without reconciliation adjustments. This comparability reduces information asymmetry in increasingly globalized capital markets.

Improved Transparency

The disclosure requirements associated with cash flow reporting under international standards promote transparency regarding an enterprise's sources and uses of cash. This transparency helps address information gaps between management and external stakeholders.

Foreign Investment Facilitation

Consistent cash flow reporting standards lower information barriers for foreign investors, potentially reducing an enterprise's cost of capital by expanding its potential investor base beyond domestic markets.

Analytical Applications

The statement of cash flows enables multiple analytical approaches:

Free Cash Flow Analysis

By examining operating cash flows relative to capital expenditure requirements,

analysts can determine an enterprise's capacity to generate discretionary cash flow available for debt reduction, shareholder returns, or business expansion.

Cash Flow Quality Assessment

The relationship between reported earnings and operating cash flows provides insights into earnings quality. Persistent divergence between profit figures and operating cash flows may signal potential accounting quality concerns warranting further investigation.

Financial Flexibility Evaluation

The pattern and composition of cash flows help stakeholders assess an enterprise's adaptability to changing business conditions and capacity to pursue unexpected opportunities or withstand unforeseen challenges.

II National Accounting Standards in Uzbekistan

Regulatory Framework

Uzbekistan's accounting system is primarily governed by:

- Law "On Accounting" (last major revision in 2016, with subsequent amendments)
- National Accounting Standards (NAS) issued by the Ministry of Finance
- Chart of Accounts for financial and economic activities of business entities

The national standard most relevant to cash flow reporting is NAS No. 9 "Cash Flow Statement," which establishes the basis for preparing and presenting information about cash flows in Uzbekistan.

Since 2015, Uzbekistan has been progressively implementing IFRS for certain sectors, particularly for:

- Commercial banks and credit organizations
- Insurance companies
- Joint-stock companies
- Large state-owned enterprises
- Companies with foreign investment exceeding specified thresholds

For these entities, IAS 7 "Statement of Cash Flows" applies directly, while other organizations follow NAS No. 9 requirements.

Key Features of NAS No. 9

NAS No. 9 shares similarities with international standards but contains specific provisions for the Uzbekistan context:

1. Classification Requirements:

- Operating activities
- Investment activities
- Financial activities (termed differently from the "financing activities" in IFRS)

2. Reporting Methods:

- Both direct and indirect methods are permitted
- Large enterprises often prefer the indirect method
- Small and medium businesses frequently use the direct method due to simpler accounting systems

3. Uzbekistan-Specific Considerations:

- Special treatment for transactions in foreign currency (particularly important given the som's historical volatility)
- Specific disclosure requirements for state-owned enterprises
- Additional reporting for entities receiving state subsidies or participating in government programs

III International Standards Application in Uzbekistan

Phased Implementation of IFRS

Uzbekistan has been implementing IFRS in phases:

- 2021: Mandatory adoption for commercial banks, insurance companies, and large state-owned enterprises
- 2022: Required for joint-stock companies and large businesses
- 2023-2025: Phased implementation for other categories of businesses

This phased approach affects how cash flow statements are prepared across different sectors of the economy.

IAS 7 versus NAS No. 9

When preparing cash flow statements in Uzbekistan, entities must navigate the differences between IAS 7 (the international standard) and NAS No. 9:

Aspect	IAS 7	NAS No. 9
Definition of Cash	Includes cash equivalents with 3-month maturity	Similar but with more restrictive definition of cash equivalents
Classification	Three categories: Operating, Investing, Financing	Three categories with slightly different terminology
Interest & Dividends	Can be classified in different categories with disclosure	More prescriptive classification
Non-cash Transactions	Excluded from statement but disclosed in notes	Similar treatment but with more detailed disclosure requirements
Reporting Currency	Presentation currency of entity	National currency (Uzbekistan som) with translation provisions

Reconciliation Requirements

Entities reporting under both frameworks must prepare reconciliations between:

- Cash flow statements under NAS and IFRS
- Cash flow statement and other financial statements
- Beginning and ending cash balances

Practical Implementation Challenges

Currency Conversion Issues

A significant challenge in Uzbekistan's cash flow reporting involves currency conversion:

- The Uzbekistan som has experienced periods of volatility
 - Many businesses conduct transactions in multiple currencies
 - Translation differences must be separately reported in the cash flow statement
- Effects of exchange rate changes on cash holdings require specific disclosure

Systems and Technology Limitations

Many Uzbekistan businesses face practical challenges:

- Legacy accounting systems may not easily produce IFRS-compliant cash flow statements
- Dual reporting requirements (NAS and IFRS) create additional workload

Limited availability of accounting professionals with strong IFRS knowledge
Transition Guidance

The Ministry of Finance has issued specific guidance for transitioning from NAS-only to dual NAS/IFRS reporting:

- Step-by-step implementation methodology
- Template cash flow statements showing dual-reporting approach
- Recommended reconciliation formats

Training programs for accounting professionals

Recent Reforms and Future Direction

2021-2022 Accounting Reforms

Recent reforms impacting cash flow reporting include:

- Simplified procedures for small businesses
- Electronic submission requirements
- Enhanced disclosure for public interest entities

Greater alignment with IFRS principles

Convergence Roadmap

The Ministry of Finance has published a convergence roadmap that outlines:

- Gradual harmonization of NAS No. 9 with IAS 7
- Timeline for eliminating major differences
- Training and capacity building initiatives
- Technology adoption support

Tax Implications

Cash flow reporting in Uzbekistan has important tax implications:

- Cash-based versus accrual recognition differences
- Documentation requirements for tax authority review
- Specific treatment of certain cash flows for tax purposes

Best Practices for Uzbekistan Entities

Dual Reporting Strategy

Entities subject to both NAS and IFRS should:

- Maintain parallel cash flow tracking systems
- Develop clear policies for classifying ambiguous transactions
- Create robust documentation for classifications that may differ between standards

Implement automated reconciliation processes where possible

Staff Development

Organizations should prioritize:

- Training accounting staff in both NAS and IFRS requirements
- Developing specialized expertise in cash flow statement preparation
- Engaging with professional accounting bodies for continuous education

Disclosure Excellence

Effective cash flow reporting in Uzbekistan requires:

- Comprehensive notes explaining major cash flow components
- Clear reconciliation between profit/loss and operating cash flows
- Detailed explanation of significant non-cash transactions

Transparent disclosure of restricted cash balances

Conclusion

Cash flow reporting under international standards serves as a fundamental pillar of enterprise financial communication. Beyond regulatory compliance, comprehensive cash

flow information delivers strategic value by illuminating an organization's financial dynamics, supporting informed decision-making, and fostering stakeholder confidence. As business environments grow increasingly complex and volatile, the importance of transparent, standardized cash flow reporting continues to expand, reinforcing its central role in the international financial reporting framework. Cash flow reporting in Uzbekistan represents a case study in the challenges and opportunities of transitioning from national to international accounting standards. As the country continues its economic reforms and greater integration with global markets, the quality and comparability of cash flow statements will become increasingly important. Organizations that develop expertise in both NAS and IFRS requirements for cash flow reporting will be better positioned to attract investment, secure financing, and support strategic decision-making in Uzbekistan's evolving business environment.