

**IMPROVING THE ACCOUNTING OF FIXED ASSET REVALUATION RESULTS IN
ACCORDANCE WITH IFRS**

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Abstract: This article examines issues related to the reform of accounting and financial reporting at the current stage of the country's development, the attraction of foreign investors, the enhancement of financial reporting transparency, the harmonization of financial reporting with International Financial Reporting Standards, and the revaluation of fixed assets to ensure a fair presentation of their value. The paper also addresses aspects associated with implementing large-scale economic transformations through the accurate reflection of the fair value of property, plant and equipment.

Keywords: accounting, financial reporting, national accounting standards, International Financial Reporting Standards, long-term assets, tangible assets, property, plant and equipment, revaluation of fixed assets, market value, fair value.

Introduction

The modern globalization of the economy requires the elevation of the national accounting system to an international level, ensuring comparability and harmonization of financial reporting. This is particularly important for reducing discrepancies in obtaining essential financial information. In international practice, the accounting and reporting of fixed assets are regulated by International Accounting Standard IAS 16 "Property, Plant and Equipment". In the Republic of Uzbekistan, the procedures for accounting and reporting fixed assets are governed by National Accounting Standard No. 5 "Fixed Assets" and National Accounting Standard No. 21 "Chart of Accounts for Accounting of Financial and Economic Activities of Business Entities and Instructions for Its Application." It should be noted that the currently applied national standards do not fully comply with many internationally accepted practices related to fixed assets.

The practical application of IAS 16 requires accounting professionals to acquire new knowledge and skills. Consequently, the study of methods for implementing IAS 16 requirements in the accounting practices of enterprises has become a highly relevant issue in the national context. Ensuring compliance of financial statements with International Financial Reporting Standards (IFRS) serves as a basis not only for large enterprises but also for small and medium-sized entities in making management decisions. Financial statements prepared under IFRS contain a broader range of information. In recent years, significant measures have been undertaken in Uzbekistan to harmonize the regulatory framework for financial reporting with IFRS. Accelerating the transition to international standards aims to provide foreign investors with a reliable information environment, expand access to international financial markets, and improve the training system for accounting and auditing professionals.

In this regard, the revaluation of fixed assets and the determination of their market value play a crucial role. In practice, many enterprises in Uzbekistan do not carry out revaluation procedures, which creates several challenges in transitioning to international accounting standards.

Literature Review

In recent years, numerous textbooks, teaching manuals, and scientific articles have been published in Uzbekistan on the implementation of IFRS in enterprise practices. These include works by scholars such as S. Tashnazarov, D. Narbekov, Sh. Rakhmonov, A. Turaev, Sh. Ergasheva, A. Ibragimov, N. Rizaev, I. Ibragimova, J. Qurbanbaev, S. Dzhumanov, K. Urazov, M. Polatov, E. Moydinov, and others. These studies play a significant role in adapting IFRS requirements related to fixed assets to the practical activities of enterprises in Uzbekistan.

Research Methodology

In accordance with IFRS, the study of practical issues related to accounting for fixed assets and improving the accounting of revaluation results was conducted using systematic analysis, deduction, induction, comparison, evaluation methods, discounted valuation techniques, and other analytical approaches.

Analysis and Results

At present, it is necessary to harmonize the fundamental principles of accounting and the requirements for organizing accounting systems with IFRS principles. Preparing financial statements in compliance with IFRS enhances transparency and increases the reliability of financial information. IFRS-based reporting enables users to obtain comprehensive information on the financial and economic activities of business entities and improves the credibility of financial statements.

The rapid introduction of IFRS into practice has led to several challenges, including:

- increased complexity of accounting due to parallel application of IFRS and national standards;
- inadequacy of existing accounting software;
- differences in objectives, as national standards focus on fiscal reporting, whereas IFRS aim to provide transparent information for investors;
- discrepancies between the book value and market value of many enterprise assets, leading to inaccuracies in financial statements.

These issues clearly indicate the need for amendments to the regulatory and legal framework during the transition to international standards. Harmonizing national financial reporting with IFRS enhances the investment attractiveness of enterprises and ensures the reliability of audit conclusions.

To ensure accurate accounting of fixed assets, it is essential to clearly define the concept of assets. Assets are understood as tangible and intangible property, including cash and receivables, that has measurable value and is controlled by an entity. For recognition as an asset, property must:

- have a measurable value;
- be controlled by the entity based on ownership rights;
- generate future economic benefits;
- arise from past economic events.

In accounting for fixed assets, compliance with IFRS requirements improves the reliability of financial reporting. Tangible assets are classified into long-term and short-term tangible assets. The concept of “fixed assets” should fully reflect the essence of long-term tangible assets.

Many enterprises balance sheets contain fixed assets recorded at values significantly lower than their market value, which creates substantial problems. Therefore, it is necessary to adapt the concept of fixed assets to market economy conditions and reflect them at market-based values. Accounting should serve not only tax authorities but also investors, emphasizing fair value measurement.

Under IFRS, a fixed asset whose fair value can be reliably measured is revalued to fair value at the revaluation date, less accumulated depreciation and impairment losses. The national definition of fixed assets generally corresponds to the international definition of property, plant and equipment. IFRS stipulate that property, plant and equipment are recognized as assets when future economic benefits are probable and the cost can be reliably measured. While IFRS emphasize use over more than one period, national standards specify a period exceeding one year, which requires alignment with international criteria.

Enterprises should independently define the composition of fixed assets in their accounting policies in accordance with IFRS. In practice, some assets are excluded from fixed assets and are not depreciated, which contradicts accounting principles. The classification of fixed assets should be harmonized with international standards. IAS 16 specifies categories of property, plant and equipment, whereas National Accounting Standard No. 5 does not define such composition explicitly, relying instead on the chart of accounts under Standard No. 21.

In Uzbekistan, land is state-owned, and long-term land-use rights are granted. Such rights should be recognized as intangible assets. Expenses related to land improvement and leased assets should be treated as period expenses. Standards governing the recognition of biological assets, such as productive livestock and perennial plants, also need to be developed. Under IFRS, spare parts and servicing equipment are generally recognized as inventories and expensed when used. However, major spare parts and standby equipment intended for use over more than one period are classified as property, plant and equipment. Similarly, spare parts used in connection with fixed assets are recognized as fixed assets. IFRS require that expenditures related to property, plant and equipment be recognized in the period incurred, including costs associated with acquisition, installation, replacement, and servicing. National standards should separately identify costs directly attributable to the cost of fixed assets to properly determine their capitalization.

1-Table

International Statistical Evidence on IFRS Adoption and Investment Transparency

Indicator	2020	2021	Analytical relevance to IFRS
FDI inflows (USD billion)	963	1,582	Growth in cross-border investment increases demand for transparent and comparable financial statements
FDI as % of Gross Fixed Capital Formation (GFCF)	4.3%	7.1%	Rising FDI share signals stronger investor reliance on fair value-based asset reporting
Main investment focus	Manufacturing, infrastructure, PPE	Manufacturing, infrastructure, PPE	Fixed assets form the core object of investor analysis under IFRS

Source: UNCTAD, *World Investment Report and Handbook of Statistics*, latest consolidated data.

The data presented in Table demonstrate that global foreign direct investment flows increased significantly from 2020 to 2021, while the ratio of FDI to gross fixed capital formation rose from 4.3% to 7.1%. This trend indicates a growing role of foreign investors in financing long-term tangible assets such as property, plant and equipment. Under such conditions, the harmonization of national accounting systems with International Financial Reporting Standards (IFRS) becomes critically important. Investors require financial statements that provide reliable, comparable, and fair-value-based information, particularly regarding fixed assets. When the book value of property, plant and equipment materially differs from market value, investment decisions may be distorted. Therefore, the application of IFRS—especially IAS 16 provisions on recognition, measurement, and revaluation of fixed assets—enhances transparency, improves the credibility of financial statements, and strengthens the investment attractiveness of business entities at the international level.

Conclusion

In conclusion, the requirements set out in IAS 16 “Property, Plant and Equipment” differ significantly from those specified in National Accounting Standard No. 5. Implementing this international standard in national accounting practice enables users to obtain comprehensive and reliable information about enterprises’ fixed assets and ensures economic consistency of financial data. In international practice, capital expenditures that extend the useful life of assets are adjusted through depreciation mechanisms, resulting in an increase in residual value without changing initial cost. In Uzbekistan, revaluation of fixed assets aims to align replacement cost with current market prices. Revaluation may result in either an increase or decrease in asset value and can be conducted either through direct market valuation or coefficient-based adjustment by enterprises themselves or licensed valuation entities. The difference between old and new values represents the revaluation amount and is recognized in accounting records based on inventory statements. In practice, capital repair costs are often expensed as production or period costs. However, in line with IFRS, if such costs lead to increased productivity or improved quality, they should be capitalized as part of property, plant and equipment.

Ensuring that enterprises possess adequate and appropriately structured assets is a key factor in sustaining business operations and continuous development. Presenting assets at fair market value enhances the reliability and accuracy of financial statements and confirms the correctness of accounting practices.

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