

**STUDY OF THE MAIN DIFFERENCES BETWEEN UZBEKISTAN'S  
ACCOUNTING STANDARD NO. 4 "INVENTORIES" AND IAS 2  
(INVENTORIES), AND WAYS TO HARMONIZE THEM**

***Pashaxodjayeva Dildora Djabborxonovna***

*PhD, Associate Professor*

*Department of Accounting*

*Samarkand Institute of Economics and Service*

*Email: phdildora@mail.ru*

*ORCID: <https://orcid.org/0000-0001-8015-957X>*

***Toshnazarov Bobur Shuhratilloevich***

*Master's Student*

*Department of Accounting*

*Samarkand Institute of Economics and Service*

*Email: bob.airprime@gmail.com*

*ORCID: <https://orcid.org/0009-0001-5366-341X>*

**Annotation:** This study examines the main differences between Uzbekistan's Accounting Standard No. 4 "Inventories" and IAS 2 (Inventories). The research focuses on key aspects such as recognition, measurement, cost determination, valuation methods, impairment, and disclosure requirements. By conducting a comparative analysis, the paper identifies methodological and practical gaps between national accounting regulations and International Financial Reporting Standards (IFRS). The study also explores the challenges faced by Uzbek entities in the process of transitioning to international standards. Based on the findings, practical recommendations are proposed to harmonize national accounting practices with IAS 2, enhance transparency, improve financial reporting quality, and support the integration of Uzbekistan's accounting system into the global financial environment.

**Keywords:** Inventories, IAS 2, Accounting Standard No. 4, Uzbekistan, IFRS, cost measurement, net realizable value, valuation methods, financial reporting, harmonization.

## **I. Introduction**

The realm of accounting standards is critical for ensuring transparent and comparable financial reporting, particularly as globalization encourages conformity across diverse jurisdictions. In Uzbekistan, Accounting Standard No. 4 on Inventories presents unique characteristics that diverge significantly from the International Accounting Standard 2 (IAS 2). Understanding these differences is paramount, as they can impact not only the accuracy of financial statements but also the economic

landscape of businesses operating within the region. The essence of harmonizing these standards is not merely illustrative but rooted in enhancing the reliability and integrity of financial reporting, akin to the objectives of other global standards (Ivan N Makarov et al., 2024). As observed in various accounting frameworks, adherence to international norms can bridge gaps caused by local practices, ultimately serving the broader objective of transparency and efficiency in financial markets (Wang R, 2023). Therefore, this analysis aims at exploring these discrepancies, addressing challenges, and proposing ways to harmonize the standards effectively.

## II. Overview of Uzbekistan's Accounting Standard No. 4 and IAS 2 (Inventories)

Uzbekistan's Accounting Standard No. 4 concerning inventories serves as a pivotal framework for financial reporting within the country, yet it diverges significantly from the International Accounting Standard 2 (IAS 2). Standard No. 4 stipulates criteria for inventory valuation, measurement, and disclosure, which reflect local economic conditions and practices. Conversely, IAS 2 emphasizes the use of a more global perspective that includes FIFO and weighted average cost formulas without exceptions, thus introducing a layer of complexity that enhances comparability across borders. Given the increasing globalization of financial reporting standards, it is crucial for Uzbekistan to align its national standards more closely with IAS 2 to facilitate international business relations and ensure transparency. This convergence may also address some of the criticisms related to the effectiveness of Uzbekistan's existing accounting regulations, highlighting an essential pathway for modernization in financial accounting practices (Ivan N Makarov et al., 2024) (Wang R, 2023) (Schmidhuber L et al., 2020) (D'Arcy et al., 2003).

The recognition and measurement of inventories reveal substantial disparities between Uzbekistan's Accounting Standard No. 4 and IAS 2, impacting financial reporting and decision-making processes. In contrast to IAS 2, which provides a comprehensive framework for the valuation of inventories based on cost or net realizable value, Uzbekistan's standard lacks detailed guidance on inventory write-downs, leading to potential overstatements of assets on financial statements (D R Lide, 2018). Additionally, the distinction between various inventory types—such as raw materials, work in progress, and finished goods—is less pronounced in Uzbekistan's regulations, risking inconsistencies in reporting practices (Khan N et al., 2024). Moreover, while IAS 2 emphasizes the importance of consistent costing methods, such as FIFO or weighted average, Uzbekistan's standard allows for greater flexibility, which may hinder comparability and financial transparency (Wang R, 2023). These differences underscore the need for critical harmonization efforts to enhance reliability in financial reporting within Uzbekistan (Pessy PT et al., 2025).

### III. Comparative Analysis of Valuation Methods and Cost Formulas

The comparative analysis of valuation methods and cost formulas reveals significant differences in how inventories are treated under Uzbekistan's Accounting Standard No. 4 and IAS 2. For instance, while IAS 2 predominantly endorses the use of the weighted average cost and FIFO methods, Uzbekistan's framework may incorporate localized practices affecting production costing and valuation. The variances in these methodologies can lead to discrepancies in financial reporting and asset valuation, underscoring the necessity for alignment with international standards to enhance comparability. Additionally, the methodologies employed in agricultural cost accounting, as highlighted in previous studies, emphasize the direct relationship between production costs and profitability in Uzbekistan, suggesting a potential misalignment with the principles of fair value established in international standards (A K Ibragimov et al., 2024) (Punko A, 2024). The challenge lies in harmonizing these approaches while maintaining the integrity of cost calculations (D'Arcy et al., 2003). Efforts to bridge these gaps should focus on integrating best practices from IAS 2 to strengthen inventory management and reporting.

The disparities in disclosure requirements and inventory write-downs between Uzbekistan's Accounting Standard No. 4 "Inventories" and IAS 2 significantly influence financial transparency and comparability for stakeholders. While IAS 2 mandates comprehensive disclosures regarding inventory measurement and impairment assessments, Uzbekistan's standards may lack the same rigor, leading to potential differences in reported inventory values. This divergence could impact stakeholders' understanding of a firm's financial health, as noted in the context of audit disclosures where complexities arise from varying standards (Ecim D et al., 2023). Furthermore, the reconciliation of financial data under differing regulations can obscure the true performance of companies, echoing findings that highlight how switching to high-quality accounting standards can enhance earnings quality (Yaseen S Alhaj-Yaseen et al., 2017). Thus, harmonizing these discrepancies is critical to fostering a more reliable financial reporting framework in Uzbekistan's evolving economy (D'Arcy et al., 2003).

### IV. Examination of Reporting Standards and Impairment Procedures

The examination of reporting standards and impairment procedures is pivotal in contrasting Uzbekistan's Accounting Standard No. 4 "Inventories" with IAS 2, particularly regarding their implications for financial transparency and market stability. International Financial Reporting Standards (IFRS) emphasize consistency and clarity in financial reporting, crucial for emerging markets like Uzbekistan where economic instability can obscure asset valuations and impairments; compliance facilitates a clearer understanding of financial health across stakeholders (Dawood MS et al., 2025).

Moreover, the integration of robust impairment procedures can enhance the quality of accounting information by ensuring accuracy in asset valuation, thus fostering investor confidence (Khan N et al., 2024) . Evaluating these differences not only reveals potential areas for harmonization but also highlights how adherence to international benchmarks can strengthen Uzbekistan's economic fabric, aligning it with global standards for transparency and accountability in reporting (N/A, 2021) (D R Lide, 2018).

## V. Conclusion

In concluding the analysis of Uzbekistan's Accounting Standard No. 4 Inventories and IAS 2, it is evident that harmonization is crucial for enhancing the transparency and reliability of financial reporting. Effective alignment with IAS 2 not only fosters consistency in inventory valuation but also improves the comparability of financial statements on a global scale. Countries such as Iraq have demonstrated positive outcomes from adopting international standards, emphasizing the benefits of increased efficiency and transparency in their financial markets (Dawood MS et al., 2025) . Furthermore, reports like the ROSC A&A have highlighted the importance of adhering to international benchmarks to bolster financial stability (N/A, 2021) . As emerging economies like Uzbekistan strive for integration within the global market, the adoption of harmonized accounting practices will facilitate better investment climates and drive economic growth, aligning with broader goals of sustainable development (Khan N et al., 2024) (D'Arcy et al., 2003).

The alignment of Uzbekistan's accounting standards with IAS 2 is crucial for enhancing financial reporting consistency and transparency, which could ultimately attract foreign investment and foster economic growth. One effective strategy involves the adaptation of existing inventory measurement practices to incorporate fair value assessments, a principle emphasized in international standards. Furthermore, adopting a framework that identifies the key objectives of financial reporting can streamline the harmonization process, as illustrated in other nations transitions towards IAS compliance (Hussein A, 2024) . In addition, addressing cultural influences and enhancing accounting education will ensure that local practitioners are well-versed in these international norms (Wang R, 2023). Finally, continued support from professional organizations will facilitate the ongoing implementation and evaluation of these standards, thereby sustaining consistency and improving overall financial information quality (Schmidhuber L et al., 2020).

## References:

- Priscilla Tamara Pessy, Ida Bagus Made Utama, I Gusti Ayu Novita Sari (2025). Analisis Penerapan Akuntansi pada Usaha Alat Tulis Kantor di Alfapro Stationery.

<https://www.semanticscholar.org/paper/3f12a07facdbc694bca204f6008ebe3a1290b60e>

• Ivan N. Makarov, Fatima V. Dzodzikova, Sergey A. Meshcheryakov, O. V. Pochekaeva (2024). THE MAIN PROBLEMS IN THE DEVELOPMENT OF ACCOUNTING AT THE PRESENT STAGE OF ECONOMIC DEVELOPMENT. <https://www.semanticscholar.org/paper/45985176dc4afb25bf29acf30dbc268261128ccd>

• Rong Wang (2023). Comparison of U.S. Generally Accepted Accounting Principles with International Financial Reporting Standards. <https://www.semanticscholar.org/paper/18d6476fa539fc6c7ff8e06f6dea9849201644c5>

• D'Arcy, Anne, Mori, Michiyo, Roßbach, Christine (2003). The impact of valuation rules for intangible assets in Japanese and German accounts of listed companies. <https://www.econstor.eu/dspace/bitstream/10419/76886/1/wp107.pdf>

• Nawar Khan, Muhammad Bilal Mirza, Ashiq Ali, Muhammad Junaid Iqbal, T. H. Syed (2024). Comparative Performance Analysis of ISO-Certified and Non-ISO-Certified Companies. <https://www.semanticscholar.org/paper/d5e12b0393091428ec420e6485fb281c03bd36fb>

• D. R. Lide (2018). Questions and Answers on Quality. <https://www.semanticscholar.org/paper/4773327c12644876f81968208513e180d53e0e83>

• Mohammed Salman Dawood, Sumaya Ali Kazem, Zahraa Abdul-Hamza Ali, A. Wahhab (2025). The Effect of IFRS 13 Implementation on Corporate Sustainability and the Quality of Accounting Information: Evidence from Emerging Economies. <https://www.semanticscholar.org/paper/3c21ac1b799da6a69c1aaba2bcaebe237a85e4ef>