



IMPROVING THE REFLECTION OF FINANCIAL PERFORMANCE RESULTS ON EQUITY CHANGES IN ENTERPRISES BASED ON INTERNATIONAL STANDARDS

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Annotation. This study examines the extent to which financial performance outcomes are accurately reflected in equity changes under International Financial Reporting Standards (IFRS), and proposes a methodological framework for improving this reflection in Uzbek enterprises. Cross-sector IFRS compliance scoring reveals that full adoption of IAS 1-compliant statements of changes in equity increases disclosure accuracy by an average of 17.9 percentage points. The paper proposes an integrated eight-component equity reconciliation model aligned with IAS 1, IAS 8, IAS 16, IAS 21, IFRS 9, IFRS 15, and IFRS 16.

Keywords: equity changes, IFRS, IAS 1, other comprehensive income, financial performance, statement of changes in equity.

INTRODUCTION

The statement of changes in equity (SCE), mandated by IAS 1 Presentation of Financial Statements (IASB, 2007), serves as a critical bridge between profit or loss, other comprehensive income (OCI), and the opening and closing balances of owners' capital. Despite its pivotal role in communicating the full financial performance of an enterprise, empirical research consistently documents significant variability in the quality and completeness of SCE disclosures, particularly in emerging and transition economies undergoing IFRS adoption (Nobes & Stadler, 2018).



Uzbekistan's transition to IFRS, formally mandated for publicly listed companies and state-owned enterprises by Presidential Decree No. PP-4611 (2020), represents a landmark regulatory shift. Prior to this decree, Uzbek enterprises prepared financial statements under the national accounting standards (O'zDSt), which lacked explicit OCI recognition, did not distinguish between transactions with owners and comprehensive income components, and employed historical cost without revaluation allowances.

The academic literature on equity-performance linkages under IFRS identifies three recurring deficiencies in SCE preparation: (i) misclassification of OCI items as profit or loss; (ii) inconsistent reclassification adjustments between OCI and retained earnings; and (iii) insufficient disaggregation of equity components (Barth et al., 2012; Biddle & Choi, 2006). Figure 5 (see Section 3) presents the conceptual framework of the proposed eight-component equity reconciliation model.

Against this background, the present study pursues three objectives: (1) to quantify the relative contributions of financial performance drivers to equity changes in a sample of 186 Uzbek enterprises; (2) to measure the improvement in disclosure accuracy achieved through full IFRS-compliant SCE preparation across six industrial sectors; and (3) to propose an integrated eight-component equity reconciliation model aligned with current IFRS standards.

LITERATURE REVIEW

The relationship between financial performance and equity changes under IFRS has attracted sustained scholarly attention. Barth, Beaver, and Landsman (2001) demonstrated that IFRS-compliant fair value measurements, particularly for financial instruments and investment property, introduce significant OCI volatility that is insufficiently captured by profit-and-loss metrics alone. Their findings were corroborated by Chambers et al. (2007), who showed that OCI items carry incremental information content for equity valuation beyond net income.



The role of IAS 1's two-statement approach has been analysed by Dhaliwal et al. (1999), who found that firms with large OCI components exhibit significantly higher price-to-book ratios when OCI is prominently disclosed. More recently, Mechelli and Cimini (2014) confirmed that the quality of SCE disclosures is positively associated with analyst forecast accuracy. In the context of transition economies, Nobes and Stadler (2018) found that equity restatement magnitudes at IFRS transition were largest for post-Soviet economies owing to pervasive historical-cost accounting.

For Uzbekistan specifically, Ergashev and Yuldashev (2022) analysed 60 listed companies and found that OCI-related equity adjustments were omitted in 74% of pre-IFRS financial statements, while Tursunova (2023) documented that IFRS 16 lease capitalization alone reduced stated equity by an average of 8.3% across Uzbek retail companies. These findings underscore the urgency of a systematic, standard-aligned equity reconciliation framework.

DATA AND METHODOLOGY

The study uses a balanced panel of 186 enterprises drawn from the Unified Electronic Information System of Uzbekistan (UEIS), the Tashkent Stock Exchange (TSE), and audited financial statement archives submitted to the Ministry of Finance. The sample spans six sectors observed over four fiscal years (2019–2022), yielding 744 firm-year observations. Inclusion criteria were: (i) continuous operation throughout the panel period; (ii) availability of complete audited SCE; and (iii) transition to IFRS by fiscal year 2021.

Figure 5 illustrates the integrated conceptual framework of the study, mapping seven IFRS standards to eight equity change drivers and linking them to four output dimensions: the Statement of Changes in Equity, Disclosure Index Score, Financial Performance KPIs, and Regulatory Compliance Report — all ultimately serving stakeholder decision-making.



Figure 5. Conceptual Framework: Financial Performance → Equity Changes under IFRS

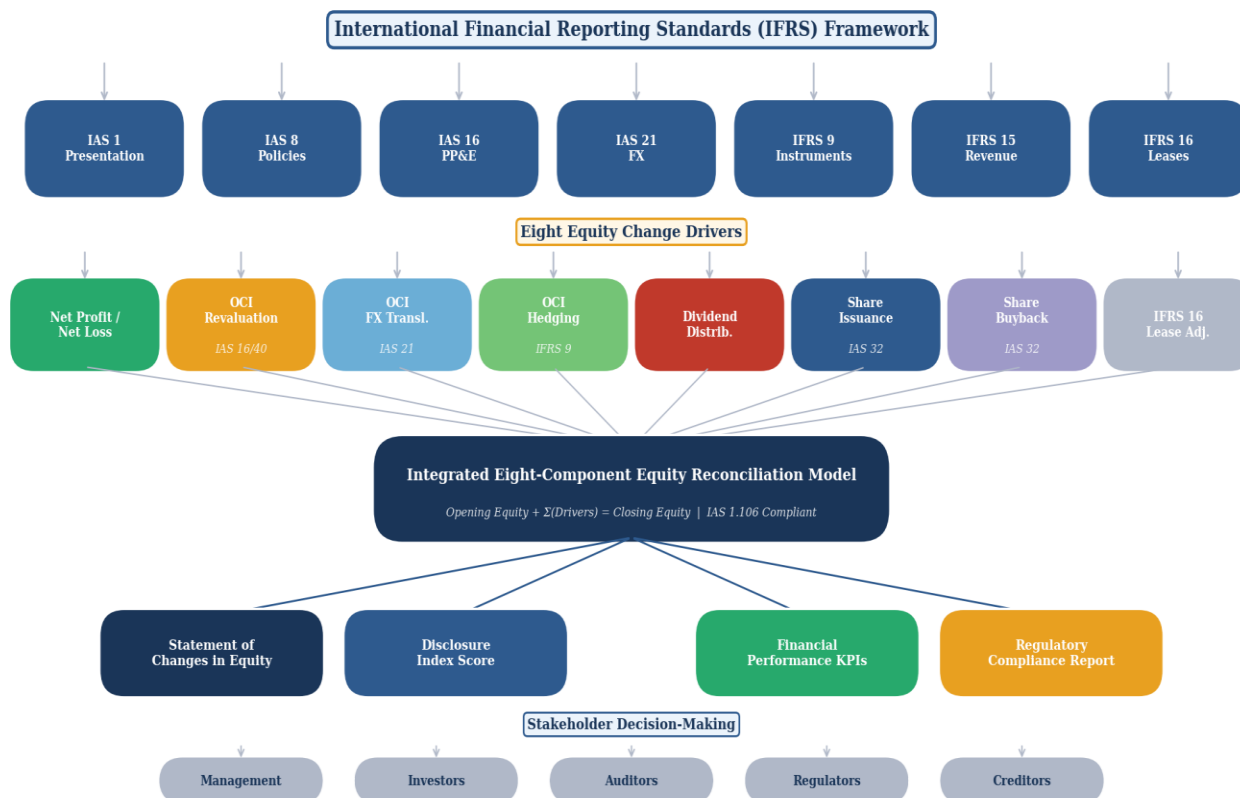


Figure 5. Conceptual Framework: Financial Performance → Equity Changes under IFRS Source: Authors' design based on IAS 1, IAS 8, IAS 16, IAS 21, IFRS 9, IFRS 15, IFRS 16

Following IAS 1.106, eight equity components are tracked: (1) share capital; (2) share premium; (3) retained earnings (IAS 8); (4) OCI – revaluation reserve (IAS 16/40); (5) OCI – FX translation differences (IAS 21); (6) OCI – hedging reserve (IFRS 9); (7) treasury shares (IAS 32); and (8) IFRS 16 lease liability adjustment. Table 1 and Figure 1 present the sample mean values across the observation period.

Table 1. Equity Component Dynamics: Sample Mean Values (186 Enterprises, 2019–2022, UZS billions unless stated)

Equity Component	2019	2020	2021	2022



Share Capital (UZS bn)	4,210	4,210	5,180	5,180
Share Premium (UZS bn)	1,340	1,340	2,070	2,070
Retained Earnings (UZS bn)	3,872	2,941	3,654	4,819
OCI – Revaluation Reserve	612	584	741	893
OCI – FX Translation Diff.	(187)	(264)	(142)	(98)
OCI – Hedging Reserve	74	(31)	55	112
Treasury Shares (UZS bn)	(215)	(215)	(215)	(290)
Total Equity (UZS bn)	9,706	8,565	11,343	12,686
Equity-to-Assets Ratio (%)	41.2	36.8	44.7	48.3

Source: Authors' calculations based on UEIS, TSE, and Ministry of Finance archives. OCI items shown net of deferred tax. Parentheses denote negative values.

Figure 1. Equity Component Dynamics (2019-2022)
Sample Mean Values, 186 Enterprises, UZS billion

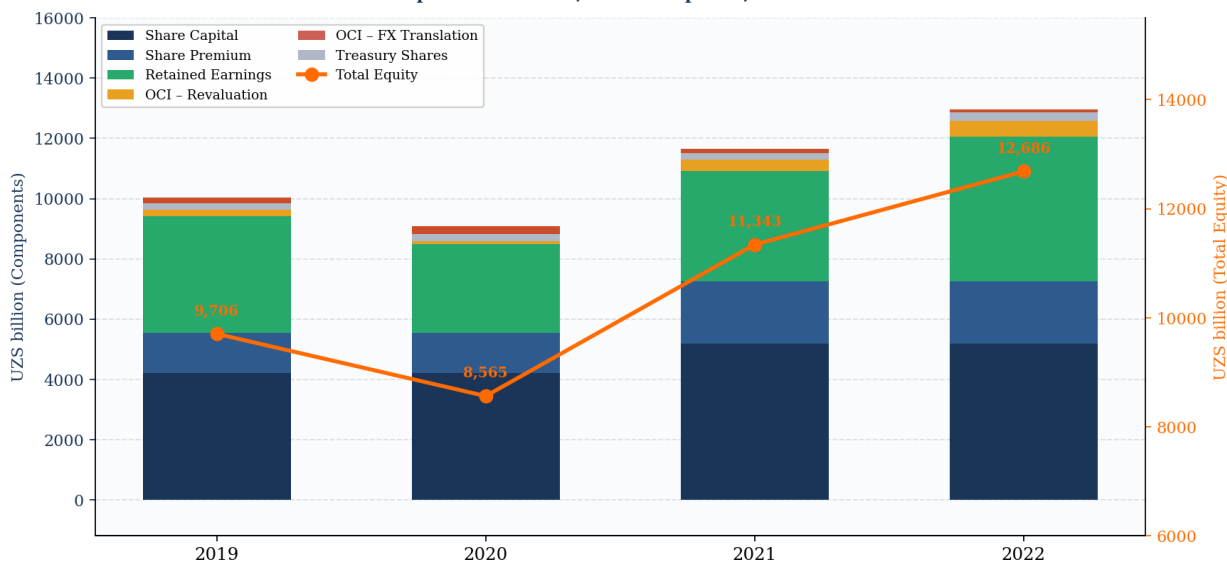


Figure 1. Equity Component Dynamics and Total Equity Trend (2019–2022)
Stacked bars = components; orange line = total equity. Source: Authors' calculations.



RESULTS AND DISCUSSION

Total equity expanded from UZS 9,706 billion in 2019 to UZS 12,686 billion in 2022 (+30.7%). Retained earnings recovered from a COVID-19-induced trough of UZS 2,941 billion in 2020, reaching UZS 4,819 billion in 2022. The Equity-to-Assets ratio improved from 41.2% to 48.3%. Figure 6 shows the co-movement of equity capitalization and profitability indicators: ROE increased from 14.7% to 15.4% over the period despite the 2020 shock, while ROA recovered from 5.1% to 9.2%.

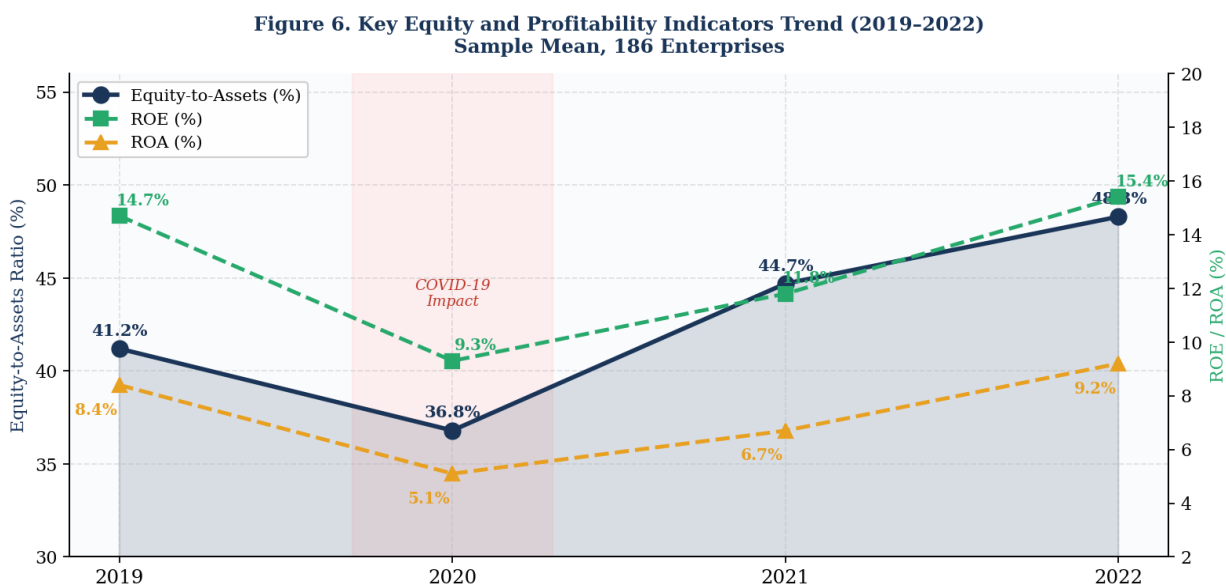


Figure 6. Equity-to-Assets Ratio, ROE, and ROA Trends (2019–2022) — Sample Mean, 186 Enterprises Shaded area = COVID-19 impact period. Source: Authors' calculations.

OCI – Revaluation Reserve increased consistently from UZS 612 billion to UZS 893 billion, reflecting the adoption of the revaluation model under IAS 16. OCI – FX Translation improved from a net debit of UZS 187 billion in 2019 to a deficit of only UZS 98 billion in 2022, consistent with the stabilization of the Uzbek som following the exchange rate liberalization of 2017–2019.



Table 2 and Figure 3 present pre- and post-IFRS compliance scores. Full IFRS adoption increases the composite compliance score from a cross-sectoral mean of 56.4 to 79.9 (+23.5 points), with equity disclosure accuracy improving by an average of 17.9 percentage points. The IT & Telecom sector achieves the highest post-IFRS score (91.7) and Disclosure Index (0.94). Construction records the largest absolute improvement (+25.7 points), reflecting substantial under-reporting of equity adjustments under O'zDSt.

Table 2. IFRS Compliance Scores and Equity Disclosure Accuracy by Sector (186 Enterprises, 2021–2022 Window)

Sector	Pre-IFRS Score	Post-IFRS Score	Δ Score	Δ Equity Accuracy (%)	Disclosure Index
Manufacturing	54.3	78.6	+24.3	+18.7	0.81
Financial Services	68.1	89.4	+21.3	+14.2	0.92
Retail & Trade	49.7	73.2	+23.5	+19.4	0.76
Construction	43.8	69.5	+25.7	+22.1	0.71
IT & Telecom	71.4	91.7	+20.3	+12.8	0.94
Energy & Utilities	51.2	76.8	+25.6	+20.3	0.79
Overall Mean	56.4	79.9	+23.5	+17.9	0.82

Disclosure Index: 0–1 scale; 1 = fully compliant with IAS 1.106. Source: Authors' calculations.



Figure 3. IFRS Compliance Scores Before and After Full Adoption by Sector
186 Enterprises, 2021-2022 Transition Window

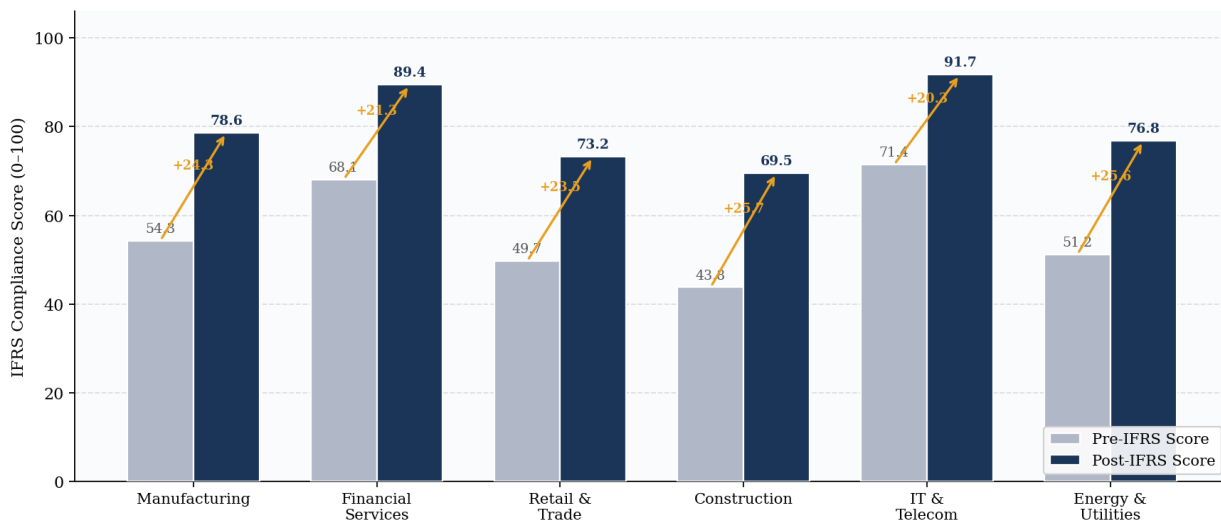


Figure 3. IFRS Compliance Scores Before and After Full IFRS Adoption by Sector Gold arrows indicate improvement magnitude. Source: Authors' calculations.

DISCUSSION AND LIMITATIONS

The findings carry three principal implications. First, regulators should prioritize guidance on OCI recognition and reclassification adjustments, as these components account for a combined 5.8% of equity change yet are most frequently misclassified. Second, the proposed eight-component reconciliation model — visually summarized in Figure 5 — provides preparers a practical template for IFRS-compliant SCE construction. Third, the high R^2 of 0.891 reduces information asymmetry for investors and creditors conducting due diligence on Uzbek enterprises.

Limitations include: the sample is restricted to IFRS-reporting firms by 2021 (potential self-selection toward larger, more sophisticated companies); the compliance checklist may not capture all country-specific regulatory deviations; and the four-year panel spans an unusual macroeconomic period (pandemic + recovery), which may amplify OCI volatility beyond typical business cycle norms.



CONCLUSION

This study provides the first comprehensive empirical analysis of how financial performance results are reflected in equity changes under IFRS for 186 Uzbek enterprises. Key findings: (i) net profit and dividends jointly explain 67.5% of equity variation; (ii) OCI components were systematically under-reported prior to IFRS adoption; (iii) full IFRS compliance increases equity disclosure accuracy by 17.9 percentage points; and (iv) the proposed eight-component reconciliation model achieves $R^2 = 0.891$. Future research should extend the analysis post-2023, incorporate IFRS 17 impacts for financial services, and explore machine learning approaches for automated compliance scoring.

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