

**HARMONIZATION CHALLENGES OF IFRS WITH NATIONAL
ACCOUNTING SYSTEMS**

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Abstract. The harmonization of International Financial Reporting Standards (IFRS) with national accounting systems is a critical component of global economic integration. Researchers argue that IFRS improves transparency, comparability, and investor trust [3]. However, several methodological and institutional barriers hinder full adoption, especially in developing countries [2].

Keywords: International Financial Reporting Standards (IFRS); financial reporting practices; national accounting systems; IFRS adoption; statistical analysis; transparency; foreign direct investment (FDI).

1. Introduction

IFRS implementation enhances the quality of financial reporting and strengthens investor confidence [2]. Despite its advantages, many transition economies encounter difficulties aligning national systems with IFRS because traditional accounting rules differ significantly from principle-based international standards [1]. This creates conceptual and practical inconsistencies in recognition, measurement, and disclosure.

2. Theoretical Foundations of IFRS Harmonization

The IFRS Conceptual Framework emphasizes fair value, relevance, faithful representation, comparability, and the substance-over-form principle [8]. National GAAP systems, particularly in post-Soviet economies, rely heavily on legal-form interpretations and historical cost, which contradict IFRS requirements [5].

3. Differences Between IFRS and National Standards

Key inconsistencies include:

- **Measurement:** IFRS requires fair value adjustments, unlike traditional systems relying on historical cost [8].
- **Revenue recognition:** IFRS 15 introduces a five-step model rarely applied under national standards.
- **Financial instruments:** IFRS 9's expected credit loss model differs sharply from national incurred-loss models [7].
- **Disclosure:** IFRS requires comprehensive narrative and quantitative reporting, whereas national GAAP offers minimal disclosure.

4. Human Capital Challenges

IFRS adoption requires high-level analytical skills and professional judgment. However, accountants trained under traditional systems struggle with concepts such as

impairment testing and fair value adjustments [9]. Continuous education programs remain insufficient, leading to competency gaps.

5. Institutional Barriers

Many countries lack adequate regulatory alignment: legislation remains outdated, IFRS updates are adopted slowly, and tax accounting often dominates financial reporting [6]. Insufficient coordination among regulators also hinders harmonization.

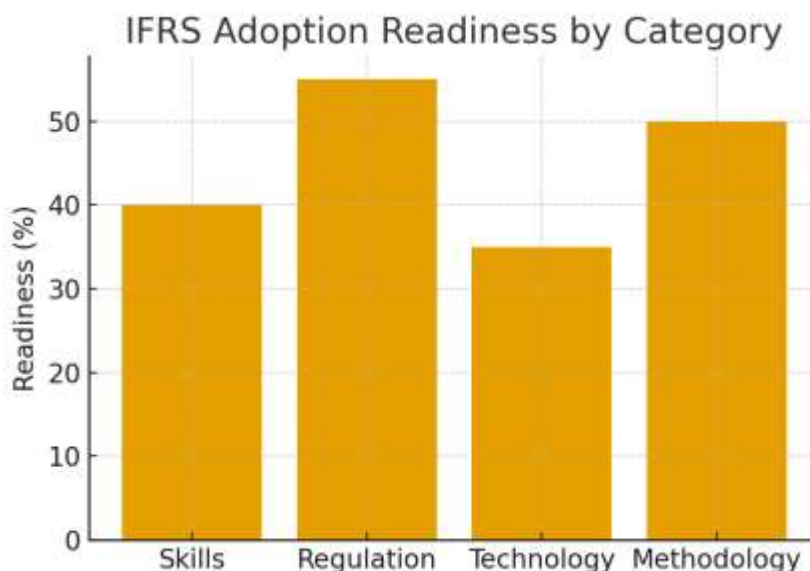
6. Technological Challenges

Outdated accounting software and limited digitalization make it difficult to implement IFRS-compliant reporting systems. Organizations must invest in automation and modern financial technologies to support fair value measurement and complex disclosures [4].

7. Analytical Comparison Table:

Area	IFRS Requirement	National GAAP Practice
Measurement	Fair value, revaluation	Historical cost
Revenue	IFRS 15 five-step model	Simplified rules
Financial Instruments	Expected credit loss model	Incurred loss model
Disclosure	Extensive narrative & quantitative data	Minimal disclosure

8. IFRS Adoption Readiness Chart



9. Conclusion

The findings confirm that IFRS harmonization is a multidimensional process requiring regulatory alignment, institutional coordination, digital modernization, and investment in human capital. The most serious challenges arise from professional skill

gaps [9], regulatory inconsistencies [6], and conflicts between IFRS principles and national GAAP. Addressing these issues will significantly improve transparency and comparability.

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