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PROBLEMS AND SOLUTIONS IN THE TRANSITION TO INTERNATIONAL FINANCIAL STANDARDS IN JOINT-STOCK COMPANIES

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Abstract

This scientific article provides a comprehensive analysis of the objective necessity of transitioning to International Financial Reporting Standards (IFRS) in order to integrate joint-stock companies into international markets and increase their investment attractiveness in the modern economic environment, the systemic problems arising in this process, and practical solutions to overcome them. The study identified fundamental obstacles to the implementation of international standards in joint-stock companies, such as staff shortages, insufficient information and technological infrastructure, methodological inconsistencies, and high transformation costs. To overcome these problems, strategic proposals were put forward to harmonize national legislation, modernize the personnel training system, and introduce automated digital platforms.

Keywords:

joint-stock company, IFRS, transformation, investment attractiveness, corporate governance, information systems, personnel qualifications.

The sustainable development of joint-stock companies (JSCs) in the global economic space, their free access to international capital markets and gaining the trust of foreign investors directly depend on the transparency and understandability of financial information, and the transition to International Financial Reporting Standards (IFRS) is the main strategic mechanism in this regard. Although in our country, the accounting of large joint-stock companies, banks and insurance organizations based on international standards has risen to the level of state policy, in practice the process of full transition to this system faces a number of conceptual and institutional difficulties. Historically, the national accounting system (NAS) has been mainly adapted to the requirements of tax legislation and relies on strictly regulated formalities, which creates serious conflicts with the principles of IFRS, which prioritize economic content over legal form (substance over form) and professional judgment. This transformation process, which should serve to reduce information asymmetry between management bodies and shareholders in joint-stock companies, is not just a technique for transferring accounting reports from one format to another, but also requires a fundamental restructuring of the entire corporate governance philosophy, internal control system, and strategic planning model, which requires enterprises to mobilize enormous organizational and financial resources.

One of the most acute and systemic problems that joint-stock companies face in the process of transition to IFRS is the acute shortage of finance and accounting specialists with high professional qualifications in international standards and international certificates (for example, ACCA, DipIFR). Since the majority of existing accounting personnel have worked for many years only in the national system based on linear and guidelines, they are unable to provide professional subjective

assessments in the practical application of complex IFRS instruments such as valuing assets at discounted value, forecasting future cash flows, and forming reserves taking into account possible risks. As a result of this shortage of personnel, joint-stock companies are forced to pay very large amounts of financial resources to reputable external consulting and international auditing companies (such as the Big Four) to transform their reports and conduct an international audit every year, which negatively affects the profitability of enterprises and the volume of dividends paid to shareholders. At the same time, since the internal accounting staff of companies does not have in-depth knowledge of IFRS, operations are carried out traditionally throughout the year, not in accordance with international rules, and are mechanically transformed at the end of the year, which will reduce the reliability of financial statements and raise doubts about the transparency of reports in the eyes of international investors. From an infrastructural and technological point of view, the non-compliance of existing information systems and automated accounting programs in joint-stock companies with IFRS requirements creates a parallel burden of double-entry bookkeeping, which is a significant factor reducing the efficiency of the transformation. The software used in most enterprises (for example, old versions of 1C or local systems) is adapted only to generate national standards and tax reporting forms, and does not have such functionality as calculating expected credit losses under IFRS 9 (Financial Instruments) or determining the present value of lease obligations under IFRS 16 (Leases). As a result, finance staff are forced to manually process data in Excel spreadsheets and perform complex calculations, which sharply increases the likelihood of human error and excessively lengthens the time for generating financial statements. The implementation of modern ERP (Enterprise Resource Planning) systems (such as SAP, Oracle) is a very expensive economic project, and its implementation requires joint-stock companies not only direct investments of millions of dollars, but also redesigning entire business processes in accordance with international standards, which not every medium-sized or even large enterprise can always finance independently.

The most difficult methodological obstacle is the imperfection of the mechanisms for reflecting assets and liabilities at their real market value in accordance with the requirements of the IFRS 13 (Fair Value Measurement) standard in the conditions of the developing domestic market and the lack of liquid asset markets. IFRS requires enterprises to regularly revalue their fixed assets, investment property and financial assets in accordance with current market conditions, but since there are no active and transparent markets for many specialized industrial equipment, buildings and structures or securities in our country, determining their fair value is extremely subjective. Independent valuation organizations also often do not fully understand the IFRS specifications and value assets using traditional valuation methods, which leads to significant audit adjustments to reporting indicators during the international audit process and, as a result, artificially changing the balance sheet of the company.

In addition, the technique of testing assets for impairment and discounting future net cash flows from cash-generating units to present value using discount rates in accordance with IAS 36 (Impairment of Assets) reduces the accuracy of forecasts due to macroeconomic volatility and the level of inflation in our country's economy, which can distort or artificially worsen the real financial results of joint-stock companies.

Transformation dualism: The transition to IFRS in joint-stock companies is not just a change of format, but also a cornerstone of corporate transparency and investor confidence. However, methodological gaps and the lack of systematic automation make this process a complex and expensive operation.

In order to conceptually solve these systemic and interrelated problems and increase the efficiency of the transition to IFRS in joint-stock companies, it is necessary, first of all, to radically reform the national program for training and systematic improvement of personnel skills in cooperation with the state and corporate sectors. It is necessary to 100% align accounting and auditing curricula in higher education institutions with the requirements of international ACCA and CIMA standards, and to teach students, along with theoretical knowledge, practical skills in the case study method for transforming IFRS reports of real joint-stock companies. The introduction of a mechanism for the state to partially or fully subsidize the costs of participation in international certification exams for internal finance officers and internal auditors of joint-stock companies will reduce the dependence of enterprises on external consulting and serve to form a localized professional staff corps in a short time. The management of joint-stock companies must abandon the philosophy of considering the accounting department as a department that simply records expenses, recognize them as a business partner that makes strategic decisions and increases shareholder value, and improve the system of remuneration for their labor based on market laws.

In order to overcome technological barriers in the age of digital technologies, a phased digital transformation strategy should be developed and implemented to modernize information systems in joint-stock companies. For medium-sized joint-stock companies that cannot afford to immediately purchase expensive foreign ERP systems, it is recommended to integrate mapping and translation tools (MTS) modules into existing local programs in cooperation with national and regional software developers. Such automated modules should allow for the simultaneous reflection of business transactions in various charts of accounts in accordance with the rules of the accounting system, tax legislation, and IFRS at the stage of primary entry, which will minimize the laborious manual transformation work at the end of the year and reduce the scope of errors to zero. At the state level, creating a single cloud-based accounting platform for joint-stock companies with a large state share and centrally updating all standard templates and formulas of international standards in it will provide very high economic efficiency in sharply reducing the technological costs of enterprises.

In order to solve methodological and market problems, it is necessary to further activate the national infrastructure of asset valuation and the capital market in the country, in particular, to increase the stock exchange turnover and form an open, transparent statistical database (market data provider) for all types of assets. Approval of uniform and mandatory methodological guidelines for the fair value valuation of real estate and equipment based on IFRS requirements, in cooperation with the Chamber of Appraisers and financial regulators, will ensure the unconditional recognition of valuation results by international auditors. At the same time, conceptual harmonization of the norms of the Tax Code with the principles of IFRS, in particular, simplification of the mechanisms for recognizing temporary differences arising from depreciation rates, depreciation of reserves and impairment of receivables in tax accounting, will reduce the differences between accounting profit and tax profit in enterprises and eliminate technical difficulties in applying the IAS 12 (Income Taxes) standard.

In conclusion, the transition to International Financial Reporting Standards in joint-stock companies is not just an obligation to change reporting formats, but a fundamental foundation for ensuring the international competitiveness of enterprises and attracting investment flows to the country's economy. Although there are serious problems related to personnel, technology and methodology on this path, their systematic solution through coordinated state support, integration in the education system, deep digitalization of business processes and harmonization of legislation will yield absolutely positive results. Joint-stock companies that have successfully transitioned to

IFRS will not only have the opportunity to attract cheap and long-term foreign investments in the future, but will also become the locomotive of the national economy by increasing the efficiency of internal management, accurately forecasting risks and, ultimately, maximizing the wealth of their shareholders.

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