

FEATURES OF PREPARING THE STATEMENT OF FINANCIAL PERFORMANCE IN ACCORDANCE WITH INTERNATIONAL STANDARDS

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Abstract: The Statement of Financial Performance, also known as the Income Statement or Statement of Profit or Loss, is one of the most important components of financial reporting. It provides users with essential information about an entity's revenues, expenses, profits, and losses over a specific reporting period. This article examines the key features of preparing the Statement of Financial Performance in accordance with International Financial Reporting Standards (IFRS). Special attention is given to the conceptual framework, recognition and measurement principles, structure and presentation requirements, as well as the role of professional judgment. The study highlights the importance of IFRS-based financial reporting for ensuring transparency, comparability, and reliability of financial information in the global economic environment.

Keywords: Statement of Financial Performance, IFRS, financial reporting, revenue recognition, expenses, international accounting standards, profit or loss.

Introduction

In the context of globalization and international economic integration, the role of financial reporting has significantly increased. Investors, creditors, regulators, and other stakeholders require high-quality financial information to make informed economic decisions. One of the key elements of financial statements is the Statement of Financial Performance, which reflects an entity's financial results for a given reporting period.

International Financial Reporting Standards have been developed to harmonize accounting practices across different countries and ensure the comparability of financial information. The adoption of IFRS has become a strategic priority for many countries seeking to integrate into global capital markets. Preparing the Statement of Financial Performance in accordance with IFRS requires not only technical knowledge but also a deep understanding of the principles underlying international accounting standards.

This article aims to analyze the main features of preparing the Statement of Financial Performance based on IFRS requirements. It explores the conceptual foundations of IFRS, the

recognition and measurement of income and expenses, presentation formats, and the challenges faced by entities during implementation. The relevance of this topic is обусловлена the growing demand for transparent and reliable financial information in the modern economy.

The preparation of the Statement of Financial Performance under IFRS is based on the IFRS Conceptual Framework for Financial Reporting. The Conceptual Framework defines the objective of financial reporting as providing information useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity.

According to the Conceptual Framework, financial performance reflects changes in an entity's economic resources and claims, other than those resulting from contributions from and distributions to equity holders. Financial performance is primarily measured through profit or loss and other comprehensive income.

The qualitative characteristics of useful financial information—relevance, faithful representation, comparability, verifiability, timeliness, and understandability—play a crucial role in preparing the Statement of Financial Performance. IFRS emphasizes substance over form, meaning that transactions and events should be accounted for according to their economic substance rather than merely their legal form.

IFRS does not prescribe a single mandatory format for the Statement of Financial Performance. However, IAS 1 *Presentation of Financial Statements* provides general guidelines regarding its structure and minimum content. Entities may present their financial performance in a single statement or in two separate statements: an income statement and a statement of comprehensive income.

The Statement of Financial Performance typically includes revenue, finance costs, share of profit or loss of associates and joint ventures, tax expense, and profit or loss for the period. Entities are required to present additional line items, headings, and subtotals when such presentation is relevant to understanding their financial performance.

One of the distinctive features of IFRS-based reporting is flexibility in presentation. Entities may classify expenses either by nature or by function, depending on which method provides more reliable and relevant information. This flexibility allows entities to tailor financial reporting to their specific business models while maintaining compliance with IFRS principles.

Revenue is a key component of financial performance, and its recognition significantly affects reported profit or loss. IFRS 15 *Revenue from Contracts with Customers* establishes a

comprehensive framework for recognizing revenue. The standard introduces a five-step model that requires entities to identify contracts, performance obligations, transaction prices, and allocate revenue accordingly.

Under IFRS, revenue is recognized when control of goods or services is transferred to the customer, rather than when risks and rewards are transferred, as was the case under previous standards. This approach ensures a more accurate reflection of economic reality.

The application of IFRS 15 requires significant professional judgment, particularly in areas such as variable consideration, contract modifications, and the identification of distinct performance obligations. As a result, revenue recognition under IFRS enhances the reliability and comparability of financial performance across entities and industries.

Expenses represent decreases in economic benefits during the accounting period and are recognized in the Statement of Financial Performance when they meet the definition and recognition criteria set out in the Conceptual Framework. IFRS requires expenses to be matched with the revenues they help generate, in accordance with the matching principle.

Expenses may include cost of sales, administrative expenses, selling and distribution costs, depreciation, amortization, and impairment losses. The measurement of expenses is generally based on historical cost, although fair value measurement may be applied in certain cases, such as employee benefits or financial instruments.

The classification of expenses by nature or function has a significant impact on the analysis of financial performance. Classification by function provides insight into the cost structure of operations, while classification by nature enhances transparency and simplicity. IFRS allows entities to choose the most appropriate method based on their operational characteristics.

In addition to profit or loss, IFRS introduces the concept of other comprehensive income (OCI). OCI includes items of income and expense that are not recognized in profit or loss but still affect equity. Examples include revaluation surpluses, actuarial gains and losses on defined benefit plans, and fair value changes of certain financial instruments.

The separation of profit or loss and OCI enhances the transparency of financial performance by distinguishing between recurring operational results and other gains or losses that may not be realized in the short term. Entities are required to disclose the tax effects of OCI items, either individually or in aggregate.

The presentation of OCI is an important feature of IFRS-based financial reporting, as it provides users with a more comprehensive view of an entity's financial performance and risk exposure.

One of the defining characteristics of IFRS is its principles-based approach, which relies heavily on professional judgment. Preparing the Statement of Financial Performance requires management to make judgments and estimates regarding revenue recognition, expense allocation, impairment, and provisions.

Professional judgment enhances the relevance of financial information but also introduces subjectivity. Therefore, IFRS requires extensive disclosures to ensure transparency and enable users to understand the assumptions and estimates used in preparing financial statements.

The effective application of professional judgment is essential for producing high-quality financial reports that faithfully represent an entity's financial performance.

Despite its advantages, the preparation of the Statement of Financial Performance under IFRS presents several challenges. These include the complexity of standards, the need for continuous professional development, and the costs associated with implementation and compliance.

Entities transitioning from national accounting standards to IFRS often face difficulties in adapting accounting policies, upgrading information systems, and training personnel. However, these challenges are offset by the long-term benefits of improved financial transparency and access to international capital markets.

The use of IFRS enhances the comparability of financial statements across borders, facilitating cross-border investment and economic cooperation. IFRS-based Statements of Financial Performance provide investors and other stakeholders with consistent and reliable information, reducing information asymmetry and investment risk.

Moreover, IFRS supports the development of global financial markets by establishing a common accounting language. This contributes to increased confidence in financial reporting and promotes sustainable economic growth.

Conclusion

In conclusion, the preparation of the Statement of Financial Performance in accordance with International Financial Reporting Standards is a complex but essential process in modern financial reporting. IFRS provides a robust conceptual framework, flexible presentation requirements, and clear principles for recognizing and measuring income and expenses.

The IFRS-based Statement of Financial Performance enhances transparency, comparability, and reliability of financial information, thereby supporting informed decision-making by users of financial statements. Despite implementation challenges, the adoption of IFRS represents a significant step toward harmonizing global accounting practices and strengthening the credibility of financial reporting.

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