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CONTACTS

Phone: **97-748-70-03**

Website: <https://ist-journal.uz>

Email: munis.iriskulova@gmail.com

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COMPARATIVE ANALYSIS OF ACCOUNTING IN INDONESIA AND UZBEKISTAN

Abdimuradov Shohjahon Olimjon ugli

Student Double Degree UPI-TSUE

Email: abdumurodovshohjahon@gmail.com

Aristanti Widyaningsih

Universitas Pendidikan Indonesia

Tony Heryana

Universitas Pendidikan Indonesia

Yusupov Komaliddin Bakhtiyor Ugli

Tashkent State University of Economics

Abstract: The following article compares accounting system of Uzbekistan and Indonesia within the different periods. The results showed that the accounting policies undertaken by the Government of Bandung City were not in accordance with Government Accounting Standards as regulated in the Government Regulation No. 71 of 2010. This research can add to the accounting information system literature, especially regional government accounting information systems. In addition, the results of this study are important in measuring the application of government accounting standards.

Key words: Bank, accounting, Indonesia, finance, economics, trends, fluctuation, stability, main source, grand proportion, constituent.

INTRODUCTION

Indonesia and Uzbekistan present distinct economic landscapes, shaped by their unique histories, resources, and policies. This passage explores key accounting and economic comparisons between the two nations. Indonesia boasts a Gross Domestic Product (GDP) of approximately \$1 trillion, making it the 16th largest economy in the world. In contrast, Uzbekistan's GDP stands at about \$50.5 billion, ranking it 85th globally. Over the past five years, Indonesia has experienced an average GDP growth rate of around 5%, while Uzbekistan has outperformed with a growth rate of 7.8% during the same period¹.

LITERATURE REVIEW

The GDP per capita reflects a significant disparity: Indonesia's is about \$3,900, compared to Uzbekistan's \$1,500. This difference is further accentuated by taxation policies. Indonesia imposes a top income tax rate of 30%, whereas Uzbekistan has a lower top rate of 22%. For corporate taxes, Indonesia charges 25%, while Uzbekistan offers a competitive rate of just 7.5%¹³. Inflation rates differ markedly between the two countries. Indonesia has a relatively stable inflation rate of approximately 3.2%, while Uzbekistan faces much higher inflation at around 17.9%. In terms of employment, Indonesia's unemployment rate is about 4.3%, slightly lower than Uzbekistan's rate of 5.2%¹. The cost of living presents another layer of comparison. In general, living expenses in Indonesia are lower than those in Uzbekistan; however, when rent is factored in, costs in Uzbekistan can be higher by about 9.5% overall²⁵. For instance, average monthly rent for a one-bedroom apartment is significantly higher in Uzbekistan compared to Indonesia. [1] Trade dynamics also illustrate the economic relationship between these two nations. In 2022, Indonesia exported approximately \$65.6 million worth of goods to Uzbekistan, primarily palm oil and margarine, while Uzbekistan exported around \$17.4 million worth of goods to Indonesia, mainly potassic fertilizers. This trade imbalance highlights Indonesia's stronger export capacity. [2] Indonesian Financial Accounting Standards (SAK) are the guiding principles that regulate accounting in Indonesia. These are set by the Financial Accounting Standards Board (DSAK IAI) and the Indonesian Sharia Accounting Standards Board (DSAS IAI) - responsible for establishing the specific set of standards that businesses operating within Indonesia must adhere to.

RESEARCH METHODOLOGY

These financial accounting standards serve as a fundamental framework, ensuring that all businesses conform to the designated principles and policies. Moreover, they facilitate a standardized approach across all businesses, enabling straightforward comparisons between multiple entities. These accounting standards encompass various aspects of business financials, encompassing shareholders' equity, liabilities, and revenue, among others. [3] Indonesian Financial Accounting Standards (SAK) is broken down into the following tiers: Tier 1 SAK – applies to listed companies and other entities with significant public accountability. Effective on 1 January 2015, the Indonesia Financial Accounting Standard (SAK) has fully converged with the International Financial Reporting Standard (IFRS). This is part of Indonesia's efforts to make local financial statements more comparable and understandable across international boundaries as the country aims to attract greater foreign investment and play a more prominent role within the G20. Tier 2 SAK EP – applies to private entities. Private Entity SAK is intended for use by entities that do not have public accountability and issue general-purpose financial statements for external users. However, entities that have public accountability can use Private Entity SAK after obtaining permission from the appropriate regulatory authority. Private entities may also choose to adopt Tier 1 SAK. Tier 3 – PSAK Syariah applies to companies that the Syariah principle for transaction. For example, Bank Syariah and other Syariah Financial Institutions. Tier 4 PSAK EMKM is for the micro, small, and medium enterprises. It is mandatory for every company operating within the country to maintain their bookkeeping locally. The process of maintaining company books in Indonesia involves several key aspects: Preparation of Financial Statements: This includes the creation of various financial statements that provide a comprehensive overview of the company's financial position and performance. This reflects the company's assets, liabilities, and owner's equity. Profit and Loss Statement and Other Comprehensive Income.

RESULT AND DISCUSSION

This document outlines the company's income, expenses, and overall profit or loss for the fiscal year. Cash Flow Report details the company's cash flow activities throughout the year. Statement of Changes in Company Equity: This statement highlights any changes in the company's equity over the year. Notes to the Financial Year: These are detailed explanations and descriptions of the items included in the aforementioned reports. Maintenance of Accounting Records and Supporting Documents: Companies must keep thorough and organized records of their financial transactions. This includes retaining all relevant accounting records and supporting documents, such as sales invoices, vendor invoices, bank statements, agreements, contracts, and tax documents. [4] Document Retention: All these records and documents must be securely preserved for 10 years. Additionally, the financial statements for each year must include comparative figures from the previous years for comparison and analysis. [5] By adhering to these bookkeeping requirements, companies in Indonesia ensure compliance with local regulations and maintain accurate financial records for transparency and accountability. All accounting records must be in Bahasa Indonesian, and the financial books should be maintained in Rupiah. However, there are exceptions for certain entities. Foreign-investment companies (Penanaman Modal Asing/PMA), permanent establishments (PEs), subsidiaries of foreign companies, taxpayers listed overseas, and taxpayers who present their financial statements in USD as per the applicable Financial Accounting Standards (Standar Akuntansi Keuangan/SAK) in Indonesia can maintain their books in USD and use English for their documentation. This exception is granted upon approval from the Director General of Taxes. It's important to note that the use of languages other than English and currencies other than USD in a company's books is strictly prohibited. [6] The financial reporting landscape has undergone significant and unprecedented transformations because of the Indonesian Financial Accounting...Standard Board's (DSAK) commitment to fully adopt International Financial Reporting Standards (IFRS). A gradual transition approach, starting 2008, was chosen instead of a sudden shift, primarily to address interpretation and implementation challenges. Phase 1 of the IFRS convergence has now been completed, and as of January 1, 2012, the Indonesian Financial Accounting Standards (PSAK) are substantially aligned with IFRS as of January 1, 2009. [7] Currently, the Indonesian Financial Accounting Standard Board (DSAK) is actively pursuing the second phase of IFRS convergence to reduce the gap between PSAK and IFRS from three years to just one year. Consequently, PSAK has been undergoing continuous changes over the past three years and will continue to do so in the future. Foreign companies in Indonesia should contact local taxation and accounting professionals. This is part of Indonesia's efforts to make local financial statements more comparable and understandable across international boundaries as the country aims to attract greater foreign investment and play a more prominent role within the G20. [8] The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PSAK 72 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised

lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right-of-use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right-of-use it retains solely because of a premeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in PSAK 73. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate. As part of the amendments, an Illustrative Example in PSAK 73 is amended and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying PSAK 71, is a lease liability. In 2022, DSAK-IAI issued amendment of PSAK 1 (2022 amendments) titled Non-Current Liabilities with Covenant. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants. [9] This study shows that Indonesia has undertaken significant economic and political reforms for the intended purposes of fostering democracy, strengthening accountability, and creating transparency in relation to public sector practices. As part of these reforms, accrual accounting is now mandatory, independent audit is conducted, and disclosure is required by Government offices at central and local levels. Nonetheless, drawing from dialogic accounting principles, this study demonstrates the limitations of legislation and regulation in countering patterns that have long been laid down in history. Essentially, there is limited opportunity to question the elements of these reforms, and the study has also found that centralizing forces remain to serve vested interests. The root of the problem may lie in traditions of central control which have played out in how a dialogic form of accounting has failed to emerge from these important accounting reforms. [10] A key contribution of this study is to show how the political traditions of a nation can permeate and divert the intent of, in this case, engaging a broader public in discourse about accounting reform in the public sector. In addition, this study also provides an understanding of public sector reform in the context of a diverse and unsettled nation which has been long subject to colonial, top-led, and military leadership. The findings demonstrate complexities and unintended outcomes that can emerge in public sector accounting reform and how, in this case, they appear to be influenced by historical traditions of centralized control. [11] Over time, the structure of the economy has changed considerably. Historically, it has been weighted heavily towards agriculture, reflecting both its stage of economic development and government policies in the 1950s and 1960s to promote agricultural self-sufficiency. A gradual process of industrialization and urbanization began in the late 1960s and accelerated in the 1980s as falling oil prices saw the government focus on diversifying away from oil exports and towards manufactured exports. This development continued throughout the 1980s and into the next decade despite the 1990 oil price shock, during which the GDP rose at an average rate of 7.1%. As a result, the official poverty rate fell from 60% to 15%. Trade barriers reduction from the mid-1980s made the economy more globally integrated. The growth ended with the 1997 Asian financial crisis that severely impacted the economy, including a 13.1% real GDP contraction in 1998 and a 78% inflation. The economy reached its low point in mid-1999 with only 0.8% real GDP growth. Relatively steady inflation and have contributed to strong economic growth in recent years. From 2007 to 2019, annual growth accelerated to between 4% and 6% due to improvements in the banking sector and domestic consumption, helping Indonesia weather the 2008–2009 Great Recession, and regain in 2011 the investment grade rating it had lost in 1997. As of 2019, 9.41% of the population lived below the poverty line, and the official open unemployment rate was 5.28%. During the first year of the global COVID-19 pandemic, the economy suffered its first recession since the 1997 crisis but recovered in the following year. Indonesia has abundant natural resources. Its primary industries are fishing, petroleum, timber, paper products, cotton cloth, tourism, petroleum mining, natural gas, bauxite, coal, and tin. Its main agricultural products are rice, coconuts, soybeans, bananas, coffee, tea, palm, rubber, and sugar cane. Indonesia is the world's largest producer of nickel. These commodities make up a large

portion of the country's exports, with palm oil and coal briquettes as the leading export commodities. In addition to refined and crude petroleum as the primary imports, telephones, vehicle parts and wheat cover the majority of additional imports. China, the United States, Japan, Singapore, India, Malaysia, South Korea, and Thailand are Indonesia's principal export markets and import partners.[19]

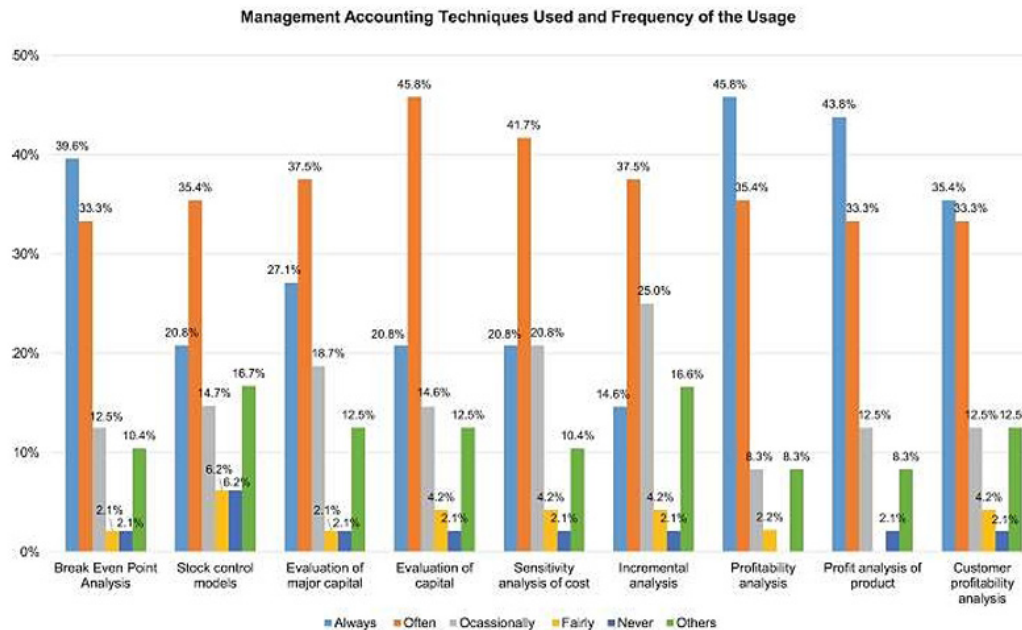


Figure 1. Analysis of how frequently various management accounting techniques are applied across enterprises

CONCLUSION

In summary, while both Indonesia and Uzbekistan are developing their economies, they face different challenges and opportunities. Indonesia leads in terms of overall economic size and GDP per capita but grapples with higher taxation rates. Conversely, Uzbekistan shows promising growth rates and competitive corporate tax policies but faces higher inflation and lower income levels. These factors contribute to their unique positions in the global economic landscape and influence potential investment opportunities within each country.

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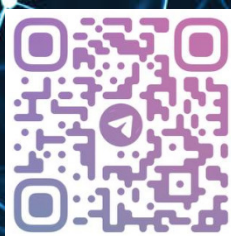
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