



HARMONIZATION OF FINISHED GOODS ACCOUNTING IN MANUFACTURING ENTERPRISES WITH INTERNATIONAL ACCOUNTING STANDARDS

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MAQOLA HAQIDA

Qabul qilindi: 9-fevral 2026-yil

Tasdiqlandi: 11-fevral 2026-yil

Jurnal soni: 17-B

Maqola raqami: 88

DOI: <https://doi.org/10.54613/ku.v17i.1551>

KALIT SO'ZLAR/ КЛЮЧЕВЫЕ

СЛОВА/ KEYWORDS

accounting harmonization, finished goods, manufacturing enterprises, international standards, financial transparency

ANNOTATSIYA

The article analyzes the harmonization of finished goods accounting in manufacturing enterprises with international accounting standards. It highlights differences between national and international approaches and proposes methods for alignment. The results emphasize the importance of harmonized accounting for financial transparency.

The study also examines the practical challenges faced by manufacturing enterprises during the implementation of international accounting standards, including issues related to valuation, recognition, and disclosure of finished goods. Special attention is given to the role of regulatory frameworks and institutional support in ensuring effective harmonization processes.

Furthermore, the article explores the impact of harmonized accounting practices on managerial decision-making, investment attractiveness, and overall financial reporting quality. It is noted that aligning national accounting systems with international standards contributes to increased comparability of financial statements and facilitates integration into the global economic environment.

The paper concludes that the harmonization of finished goods accounting is a crucial step toward improving the efficiency and transparency of accounting systems in manufacturing enterprises, and provides recommendations for further development and implementation of unified accounting approaches.

Introduction. The increasing globalization of manufacturing enterprises necessitates a harmonized approach to accounting practices, particularly concerning finished goods. As companies expand across borders, the divergence in accounting standards, notably between U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards, poses challenges in financial reporting and comparability. Harmonization seeks to create a framework that both streamlines accounting processes and ensures consistency in reporting, thus enhancing the transparency and reliability of financial statements. For instance, the measurement differences in areas such as inventory management and research and development expenditures highlight the disparities that can impact financial outcomes significantly. Moreover, the complexities inherent in the accounting of finished goods within small and medium-sized enterprises further emphasize the need for standardized practices to facilitate easier compliance and financial analysis. This introduction sets the stage for exploring the critical aspects of harmonization in finished goods accounting within the global manufacturing landscape.

Literature analysis. The harmonization of accounting standards has been widely discussed in academic literature, particularly in relation to the convergence between U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). According to Wang [1, p. 12], differences in inventory valuation methods and recognition principles significantly affect the comparability of financial statements across countries. These discrepancies are especially evident in manufacturing enterprises, where finished goods accounting plays a central role in financial reporting.

Research by Eyvazov and Zamanov [2, p. 45] highlights that the transition to IFRS in small and medium-sized enterprises improves inventory accounting practices by introducing more transparent valuation methods and standardized reporting procedures. Similarly, Glavatskikh et al. [3, p. 28] emphasize that effective inventory management, including finished goods accounting, is a key factor in enhancing organizational efficiency and financial performance.

Recent studies also underline the importance of international standards in promoting sustainable and transparent accounting practices. Song [4, p. 67] notes that the adoption of IFRS contributes to higher data quality and consistency, although challenges such as regulatory gaps and implementation costs remain. Furthermore, Trimble and Song [5, p. 102]

argue that global accounting convergence enhances comparability and supports better decision-making for international investors.

Roberts [6, p. 89] provides a comprehensive overview of international accounting frameworks, stressing that harmonization reduces ambiguity in financial reporting and facilitates cross-border economic activities. In addition, Hussein [7, p. 53] discusses the importance of aligning national accounting standards with IFRS to strengthen financial transparency and institutional trust.

Studies on public sector accounting, such as Schmidhuber et al. [8, p. 215], also confirm that international standards improve accountability and comparability, which are equally relevant for manufacturing enterprises. Moreover, Papradanova and Vechev [9, p. 134] highlight the role of professional training and competency development in successfully implementing IFRS, emphasizing that education and continuous learning are essential for effective harmonization.

Research methodology. This study employs comparative and analytical research methods to examine differences between national accounting practices and international standards in finished goods accounting. The research is based on the analysis of secondary data, including scientific articles, international standards, and regulatory documents, to identify key approaches for harmonization and improving financial transparency.

Results. In manufacturing, finished goods accounting plays a critical role in accurately reflecting a company's inventory value and overall financial health. This process involves the systematic tracking of products once they are completed and ready for sale, thereby influencing cost of goods sold and profit margins. Effective finished goods accounting not only aids in inventory management but also aligns with broader accounting principles essential for global operations. The evolution of accounting standards, especially the convergence of U.S. GAAP and IFRS, underscores the need for manufacturers to adopt uniform accounting practices, ensuring comparability and transparency across borders. Moreover, various techniques for inventory accounting, particularly for small and medium-sized enterprises, demonstrate that achieving compliance with international standards often necessitates the use of advanced accounting systems and methods. Such alignment ultimately facilitates better decision-making and enhances stakeholder confidence in financial reporting.

A critical component of enhancing the efficiency and transparency of global trade lies in the harmonization of accounting practices, particularly

through International Accounting Standards (IAS). By aligning national standards with IAS, manufacturing enterprises can achieve greater consistency in financial reporting, which not only facilitates cross-border investments but also fosters investor confidence. Harmonization addresses the diverse accounting practices outlined in varying regulations, bridging significant discrepancies that may obscure the true financial health of a business. The work of the International Accounting Standards Board (IASB) in developing a unified framework aims to alleviate these ambiguities and improve comparability across financial statements globally. Furthermore, the convergence toward International Financial Reporting Standards (IFRS) is evident in many countries, promoting streamlined processes that enhance strategic decision-making and accountability in multinational operations.

In contemporary manufacturing enterprises, the accounting of finished goods has evolved significantly to accommodate both regulatory demands and operational efficiencies. Current practices emphasize the importance of aligning finished goods inventory with international accounting standards, particularly the International Financial Reporting Standards (IFRS). This harmonization not only promotes a more transparent financial reporting framework but also enhances comparability across global markets. Effective inventory management is critical, as it involves strategic decisions about valuation methods such as FIFO (First-In, First-Out) and weighted average cost, which can significantly affect the financial outcomes reported by businesses. Moreover, the integration of technology has streamlined processes and improved data accuracy, making it imperative for organizations to continually adapt. As noted, “challenges within sustainable development and accounting practices, including issues of data quality and inadequate regulations” must be addressed to fully realize the benefits of these standards. Thus, aligning practices with international standards remains essential for fostering credibility and facilitating global trade.

In the realm of manufacturing enterprises, traditional accounting methods have played a pivotal role in shaping financial reporting practices. These methods, grounded in country-specific Generally Accepted Accounting Principles (GAAP), facilitate the evaluation and comparison of an enterprises financial health. However, the divergence between these national standards and International Financial Reporting Standards (IFRS) often contributes to inconsistencies in financial reporting, especially concerning finished goods accounting. A noteworthy advancement towards harmonization can be observed in the convergence efforts among various standards, as seen in initiatives that revise complex reporting requirements to align more closely with IFRS. This convergence fosters greater transparency and enhances the ability of manufacturing firms to attract both foreign and domestic investors by assuring them of more reliable financial data, as elaborated in the exploration of the evolving landscape of accounting practices.

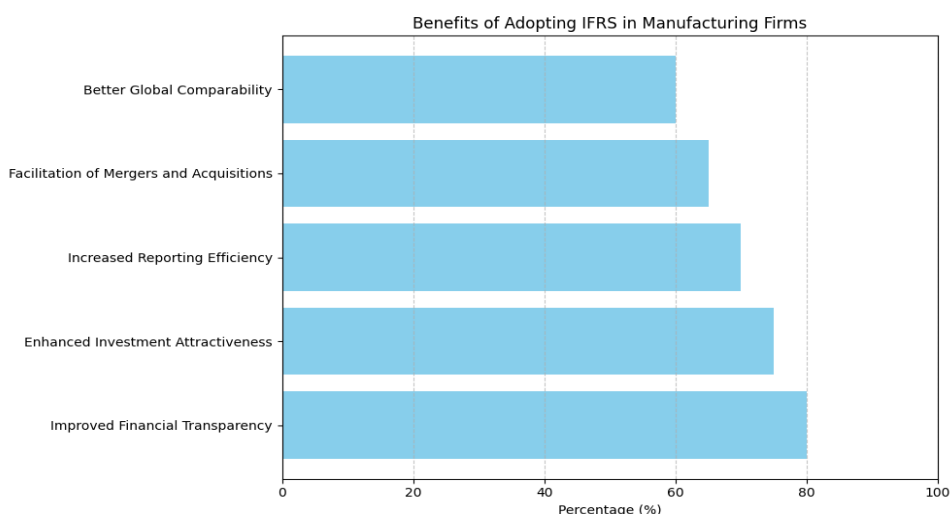
The landscape of domestic accounting practices is fraught with challenges and inconsistencies that hinder the full realization of harmonization with International Accounting Standards (IAS). A primary issue is the divergence of accounting standards across countries, which complicates the preparation of financial statements and the comparability of fiscal reports. For instance, the differences in how research and development (R&D) expenditures are treated under various accounting regulations can lead to significant discrepancies in reported performance metrics, thus affecting stakeholders decisions. Furthermore, as identified in recent

literature, inadequate regulations and data quality issues further strain the effectiveness of domestic practices in aligning with international frameworks. As companies strive to adhere to U.S. Generally Accepted Accounting Principles and IAS concurrently, the lessons learned from the ongoing convergence effort demonstrate both the complexities and the necessity of addressing these inconsistencies to foster a more unified global accounting environment.

The relevance of International Accounting Standards (IAS) in the context of harmonizing finished goods accounting in manufacturing enterprises cannot be overstated. These standards facilitate a uniform approach to financial reporting, promoting transparency and comparability across borders. For manufacturing firms, adhering to IAS can streamline operations by ensuring consistent reporting practices, which is particularly critical for companies engaged in international markets. As manufacturing processes often involve complex supply chains and diverse regulatory environments, the alignment with IAS aids in the accurate reflection of a company’s financial health and operational results. Moreover, with the ongoing convergence efforts towards International Financial Reporting Standards (IFRS), manufacturers can benefit from increased credibility with investors and stakeholder confidence. This harmonization ultimately supports better strategic decision-making, reducing the risk associated with cross-border transactions and fostering global business activities.

The International Financial Reporting Standards (IFRS) establish critical guidelines for inventory and finished goods, ensuring that manufacturing enterprises maintain consistency and transparency in their accounting practices. Central to these provisions is the requirement for inventories to be measured at the lower of cost and net realizable value, promoting a cautious approach to asset valuation. This standardization is vital as it facilitates accurate financial reporting and enhances comparability across industries and jurisdictions. Furthermore, the management of inventory is underscored by the necessity to balance stock availability with financial implications, emphasizing efficient supplier relationships and inventory turnover. As noted, the harmonization of these accounting principles is essential, particularly given the differing national standards that can complicate the financial landscape, thus driving a trend toward greater convergence between U.S. GAAP and IFRS, particularly in inventory management.

The adoption of international accounting standards offers significant benefits for manufacturing firms, particularly in enhancing efficiency and ensuring consistency across global operations. By harmonizing accounting practices, companies can streamline the financial reporting process, making it easier to evaluate performance across various international markets. This efficiency not only facilitates mergers and acquisitions, especially for multinational enterprises, but also improves financial transparency and accountability, crucial for building stakeholder trust. Furthermore, the shift towards International Financial Reporting Standards (IFRS) supports better comparability of financial statements, enabling firms to attract international investments more effectively and adapt to a dynamic global market. As suggests, the convergence of local GAAPs with IFRS leads to improved quality in accounting worldwide, while emphasizes the strategic decision-making advantages that arise from understanding and applying these standards across diverse business environments.



The chart illustrates the benefits identified in manufacturing firms adopting International Financial Reporting Standards (IFRS). Key highlights include 80% of firms experiencing improved financial transparency, 75% noting enhanced investment attractiveness, and decreases for reporting efficiency at 70%, facilitation of mergers and acquisitions at 65%, and global comparability of financial statements at 60%. [Download the Chart] (sandbox:/mnt/data/ifrs_benefits_chart.png)

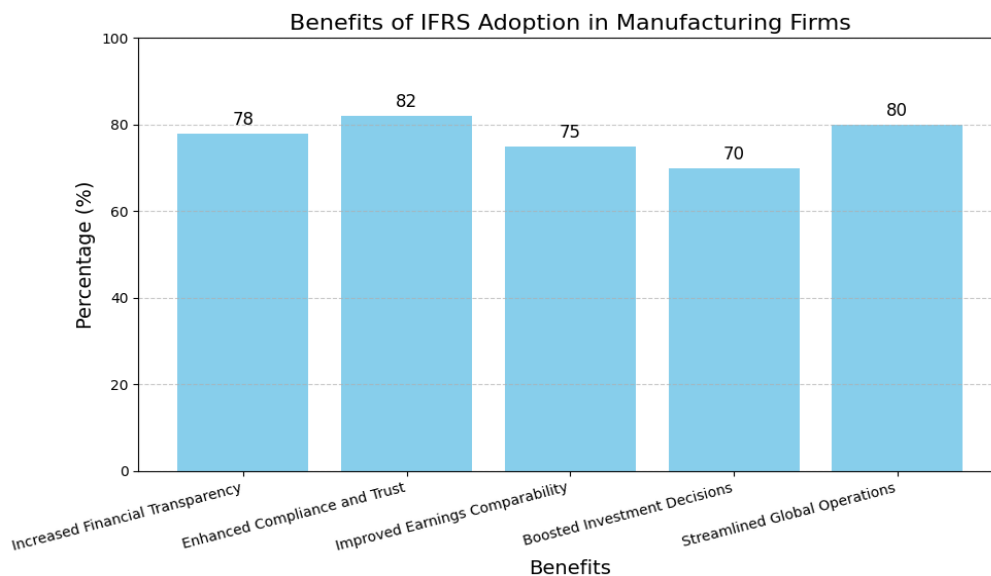
Achieving harmonization in finished goods accounting within manufacturing enterprises necessitates a multifaceted approach that encompasses both strategic and operational elements. One critical strategy involves the adaptation of accounting policies to align with International Financial Reporting Standards (IFRS), which can be particularly challenging for small and medium-sized enterprises (SMEs) that often operate under different frameworks. Effective implementation requires the establishment of comprehensive training programs that equip staff with the necessary skills to transition smoothly to these standards, as well as investing in advanced accounting technology that simplifies inventory management and tracking. Additionally, fostering collaboration between national regulatory bodies can facilitate a more coherent accounting environment, promoting transparency and consistency across borders. By addressing these aspects, enterprises can ensure that their practices not only comply with standards but also enhance the overall reliability of financial reporting within the manufacturing sector.

Discussion. The alignment of domestic accounting policies with international standards is a crucial step towards achieving consistency in financial reporting, particularly in the realm of finished goods accounting within manufacturing enterprises. This process begins with a comprehensive evaluation of existing domestic regulations against the framework established by International Financial Reporting Standards (IFRS), which facilitates a clearer comparison of financial results across borders. Following this assessment, entities must prioritize training for their accounting personnel to ensure a thorough understanding of the new standards and their practical applications. Additionally, developing a timeline for phased implementation is essential, as abrupt changes can lead to confusion and errors in financial reporting. As organizations progressively adapt to these standards, they will enhance transparency, foster trust among stakeholders, and ultimately contribute to the financial integrity essential for global commerce.

In the landscape of accounting harmonization, technology and training play pivotal roles in bridging the gap between varying national standards and the International Accounting Standards. The integration of sophisticated accounting software enhances the accuracy and consistency of financial reporting, ensuring compliance with International Financial Reporting Standards (IFRS). Furthermore, effective training programs are essential to equip accounting professionals with the necessary skills to interpret and apply these standards correctly; as noted, a modular training model can facilitate this learning process by promoting both theoretical understanding and practical application of IFRS principles. Additionally, the fusion of technology with sustainable development initiatives underscores the importance of skilled accounting practices, thereby encouraging enterprises to leverage technological innovations while fostering internal training for continuous improvement. Ultimately, these elements are crucial for achieving a unified approach to finished goods accounting in manufacturing enterprises.

Conclusion. In conclusion, the harmonization of finished goods accounting within manufacturing enterprises is essential for achieving consistency and transparency in financial reporting globally. By aligning domestic practices with International Accounting Standards (IAS), businesses can enhance comparability and facilitate cross-border investments, ultimately driving economic growth. The disparities currently existing between various accounting frameworks, such as U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards, underscore the importance of adopting a unified approach, particularly in the areas of inventory management and financial statement preparation. The ongoing convergence efforts led by bodies like the International Accounting Standards Board highlight a significant movement towards standardization, which is crucial for multinational corporations navigating diverse regulatory environments. Addressing these challenges, as outlined in the literature, is vital for fostering trust among stakeholders and ensuring accurate financial representations in a global marketplace.

Additionally, as companies navigate the complexities of globalization, the strategic integration of international accounting principles facilitates informed decision-making, allowing enterprises to adapt swiftly to shifts in regulatory environments while promoting sustainable growth. This focus on harmonization not only reflects a commitment to accountability but also positions businesses for future resilience in an increasingly integrated economic framework.



The chart displays the percentage of manufacturing firms that reported various benefits from adopting International Financial Reporting Standards (IFRS). The highest percentage (82%) indicates enhanced compliance and trust, while other benefits include increased financial transparency (78%),

streamlined global operations (80%), improved earnings comparability (75%), and boosted investment decisions (70%). This illustrates the positive impact of IFRS adoption on firms' operations and stakeholder relations.

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