

Article

Improving the Classification of Financing and Investing Activities Under IFRS 18: Evidence From an Emerging Economy

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Abstract: The Conceptual Framework's Performance Reporting project culminated in IFRS 18 Presentation and Disclosure in Financial Statements, which replaces IAS 1 from 1 January 2027 and introduces a mandatory three-category structure - operating, investing, and financing - together with related amendments to IAS 7 that remove the previous accounting policy choice for the presentation of interest and dividends paid and received. This paper examines how this reform will interact with the existing structure of Uzbekistan's national accounting standards (NAS/BHMS), which currently has no equivalent activity-based classification mechanism. Using a qualitative, document-based comparative methodology combined with an illustrative case application, the study first develops a structured comparison of classification rules under IAS 7, the new IFRS 18 framework, and Uzbekistan's national practice across five dimensions, including the treatment of interest, dividends, lease-related liabilities, and the new "specified main business activity" test. The comparative framework is then applied to a composite enterprise and, in a numerical illustration based on a large export-oriented holding company, the reclassification of four financing- and investing-related items is shown to raise reported operating profit by approximately 31% and operating margin by 3.4 percentage points, with no change in net profit or underlying cash flows. The findings indicate that Uzbekistan's current chart of accounts is not structurally equipped to generate IFRS 18-compliant categorization without targeted modification, and that the magnitude of the presentation effect is large enough to materially affect covenant calculations and ratio-based analysis relied upon by lenders and analysts. The paper concludes with a practical model for chart-of-accounts redesign and policy recommendations for enterprises and regulators preparing for the mandatory 2027 transition.

Keywords: IFRS 18; financing activities; investing activities; presentation of financial statements; IAS 7; chart of accounts; Uzbekistan; emerging economies; financial reporting reform.

1. Introduction

International Financial Reporting Standards (IFRS) have become the dominant language of corporate financial communication worldwide, and the presentation of financial statements remains one of the most actively reformed areas of the framework. The most recent and far-reaching change in this domain is IFRS 18 Presentation and Disclosure in Financial Statements, published by the IASB in April 2024 and effective for annual periods beginning on or after 1 January 2027, replacing IAS 1 and bringing consequential amendments to several other standards [1]. The reform responds to investors' demand for

more relevant, transparent and comparable financial information, and follows from research on "Performance Reporting" that the IASB began as early as 2014.

Among the changes introduced by IFRS 18, the reclassification of income, expenses and cash flows into the operating, investing and financing categories is of particular practical significance for enterprises. IFRS 18 divides the statement of profit or loss into operating, investing and financing categories, mirroring the structure of the statement of cash flows, and introduces three mandatory subtotals - operating profit, profit before financing and income taxes, and net profit [2]. At the same time, the related amendments to IAS 7 remove the previously available accounting policy choices for the presentation of interest and dividends paid and received: for a corporate entity without a specified main business activity of financing customers or investing in assets, dividends paid and interest paid are now presented as financing cash flows, while interest and dividends received are presented as investing cash flows [3]. For entities with a specified main business activity of investing in assets or providing financing to customers, certain income and expenses that would otherwise be classified as investing or financing must instead be presented in the operating category [4] - a distinction that did not exist in this form under IAS 1/IAS 7.

These changes are not merely technical. By removing optionality and introducing activity-dependent classification rules, IFRS 18 fundamentally changes how an enterprise's financing structure - its use of debt, leasing, dividends and short-term investments - is reflected in reported operating performance. For jurisdictions still aligning national accounting standards with IFRS, this raises the question of how well enterprises are prepared to apply these new rules in practice.

Uzbekistan provides a particularly relevant setting for this question. Under Presidential Decree No. PD-4611 of 24 February 2020 "On additional measures for the transition to international financial reporting standards," joint-stock companies, commercial banks, insurance organisations and legal entities classified as large taxpayers were required to organise their accounting in accordance with IFRS from 1 January 2021 and to prepare their first IFRS-based financial statements by 31 December 2022 [5]. Implementation has continued to accelerate: as of 2025, the Ministry of Economy and Finance reported that 20 major state-owned enterprises were on track to submit IFRS-compliant reports by year-end, and more than 60 IFRS documents had been translated and endorsed into Uzbek with the support of Big Four accounting firms [6]. National accounting standards in Uzbekistan are gradually approaching IFRS requirements, which contributes to increasing confidence among foreign investors and international partners, even though national tax and legal characteristics continue to impose certain restrictions on full compliance [7].

Despite this progress, existing research on Uzbekistan's transition to IFRS has largely focused on first-time adoption issues and broad institutional readiness, rather than on the presentation-level classification questions that IFRS 18 introduces. Recent studies highlight a continuing gap between national accounting practice and IFRS, together with institutional readiness concerns, particularly among real-sector enterprises [8]. This gap is likely to widen with IFRS 18, since the standard's "specified main business activity" test and its more rigid rules for interest, dividends and financing-related items have no direct equivalent in Uzbekistan's current chart of accounts and BHMS-based reporting practice.

Against this background, the present paper aims to: (1) analyse the new classification requirements for financing and investing activities under IFRS 18, in comparison with the current treatment under IAS 7 and Uzbekistan's national accounting standards; (2) identify the specific accounting items and transactions in Uzbek enterprise practice likely to be affected by reclassification; and (3) propose a practical model for adapting enterprises' accounting policies and chart-of-accounts structure ahead of the mandatory effective date of

IFRS 18.

2. Literature Review

IFRS 18 reshapes the statement of profit or loss into three main categories - operating, investing, and financing - mirroring the structure of the statement of cash flows and aiming to provide a clearer picture of how an entity generates income and incurs expenses. It also introduces three mandatory subtotals: operating profit, profit before financing and income taxes, and net profit. The operating category becomes a residual category capturing all income and expenses not classified as investing or financing, preventing entities from selectively excluding unfavorable items from operating profit and enhancing cross-entity comparability.

A central novelty of IFRS 18 is its more prescriptive treatment of items previously subject to accounting policy choice. Under the new standard, interest and dividends paid are generally presented within financing activities, while interest and dividends received fall under investing activities, reversing the optionality that existed under IAS 7 [9]. The amendments to IAS 7 specifically remove the existing optionality for the presentation of interest and dividends paid and received, so that a corporate entity without a specified main business activity of financing customers or investing in assets now presents dividends paid and interest paid as financing cash flows, and interest and dividends received as investing cash flows.

At the same time, IFRS 18 introduces an important exception mechanism for entities whose core operations involve financing or investing. An entity must assess whether it has a specified main business activity - either investing in particular types of assets such as debt and equity instruments and investment properties, or providing financing to customers - and if so, certain income and expenses that would otherwise sit in the investing or financing category must instead be classified as operating. Entities that do not conduct these specified main business activities classify interest and dividends received as investing cash flows and interest and dividends paid as financing cash flows, while entities that do conduct them follow a different, more activity-driven classification logic [10].

The problem IFRS 18 attempts to resolve is not new. Even outside formal IFRS guidance, practitioner literature has long highlighted recurring classification ambiguities - for example, contingent payments from acquisitions are classified as investing outflows only if paid shortly after the acquisition date, with later contingent payments reclassified as financing outflows, and amounts exceeding the recognized liability treated as operating outflows [11]. Such fine-grained, transaction-by-transaction distinctions illustrate why a more rules-based framework was needed, and why its practical application requires significant interpretive capacity from preparers.

Studies of emerging economies report a persistent lack of technical knowledge and expertise among preparers, high costs of adoption, and the inherent complexity of the standards themselves as principal obstacles to effective implementation. Recent research assessing IFRS adoption in developing countries found that accountants' knowledge of the standards and their perceptions of the resulting benefits were strongly linked to improved financial reporting quality, although awareness remained uneven outside major financial centers [12]. These findings suggest that the introduction of a standard as structurally demanding as IFRS 18 is likely to amplify existing implementation gaps rather than close them automatically.

Research on the real-sector enterprises of Uzbekistan highlights the gap between national practice and IFRS, analyzes institutional readiness, and offers recommendations for more effective convergence. More broadly, national accounting standards in Uzbekistan are

gradually approaching IFRS requirements, contributing to greater confidence among foreign investors and international partners, although national tax and legal characteristics still impose certain limits on full compliance. A comparative institutional study contrasting the UK and Uzbekistan argues that effective IFRS adoption depends not only on the technical application of standards but on broader institutional infrastructure - regulatory alignment, professional capacity-building, technological readiness, and stakeholder coordination - while requiring contextual modifications for local conditions[13].

While the studies reviewed above address either (i) the technical content of IFRS 18 in general terms, or (ii) the broader challenges of IFRS adoption in Uzbekistan, none specifically examines how the IFRS 18 reclassification of financing and investing activities will interact with the existing structure of Uzbekistan's national chart of accounts and BHMS framework. This is the gap the present paper addresses.

3. Methodology

This study adopts a qualitative, document-based comparative research design combined with an illustrative case application, an approach well suited to examining how a not-yet-effective standard such as IFRS 18 will interact with an existing national accounting framework, since empirical survey or large-sample statistical methods are not yet feasible at this stage. The study instead follows a theory-building, comparative-normative logic consistent with prior research on IFRS convergence in transition economies[14].

As summarised in Figure 1, the analysis draws on three categories of source material. The first is the text of the international standards: IFRS 18 itself [1], the related amendments to IAS 7 governing the classification of interest and dividends [3], and supporting interpretive guidance from major audit and advisory firms and professional bodies. The second is Uzbekistan's national regulatory documentation: the national accounting standards (NAS/BHMS) governing the chart of accounts and the statement of cash flows, Presidential Decree No. PD-4611 of 24 February 2020 on the transition to IFRS, and subsequent regulatory updates on the transition schedule. The third is prior academic and professional literature on IFRS adoption in Uzbekistan and other emerging economies, used both to contextualise the comparative findings and to identify previously documented implementation barriers.

These three sources feed into a structured, criterion-by-criterion comparative framework built around five dimensions, also shown in Figure 1: the definition and scope of the financing and investing categories in the statement of profit or loss; the treatment of interest and dividends paid and received before and after the removal of the IAS 7 accounting policy choice; the new "specified main business activity" test and its consequences for entities that invest in assets or provide financing to customers as a core activity; the treatment of lease-related financing liabilities; and the corresponding accounts and sub-accounts in Uzbekistan's chart of accounts that would need to be regrouped or re-labelled under each classification rule. For each dimension, the analysis records the current national treatment, the IFRS 18 requirement, and the resulting gap or required adjustment.

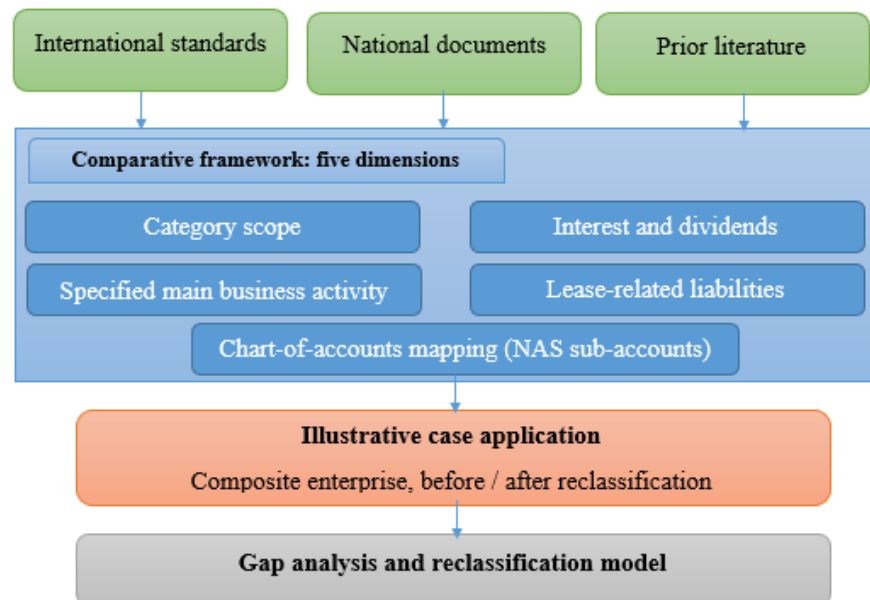


Figure 1. Overview of the study's methodological design.

This comparative framework is then applied to an illustrative case: a composite, anonymised enterprise profile rather than an actual audited entity, consistent with the case-illustration approach used in prior IFRS-transition research on Uzbekistan [15]. The enterprise's statement of profit or loss and statement of cash flows are first presented in their current NAS-based form and then reclassified item by item according to the five-dimension framework, in order to trace (a) which line items change category, (b) how the IFRS 18 mandatory subtotals — operating profit, profit before financing and income taxes, and net profit — shift as a result, and (c) what changes to the chart of accounts and accounting policy documentation would be required to produce IFRS 18-compliant output directly from the accounting system.

Because IFRS 18 is not yet effective and no Uzbek enterprise has yet published financial statements under it, the illustrative case is necessarily prospective and based on a composite profile rather than observed practice; its purpose is to demonstrate the mechanics and materiality of reclassification, not to generalise statistically across the enterprise population. As Figure 1 indicates, this process culminates in a gap analysis and a practical reclassification model, presented in Sections 4 and 5. Subsequent research, once first IFRS 18 financial statements become available after 2027, could extend this analysis using an empirical, multi-enterprise sample.

Three categories of source material — international standards texts (IFRS 18 and amended IAS 7), Uzbekistan's national regulatory documents (NAS/BHMS and Presidential Decree No. PD-4611), and prior literature on IFRS adoption — feed into a comparative analytical framework built around five dimensions: category scope, the treatment of interest and dividends, the specified main business activity test, and the treatment of lease liabilities. This framework is then applied to an illustrative composite enterprise to produce the paper's gap analysis and proposed reclassification model, presented in results and discussion.

4. Results

To make the comparative framework from Section 3.3 concrete, it was applied to a composite manufacturing enterprise modelled on typical Uzbek mid-size industrial entities (a synthetic profile, not an actual audited company, consistent with the case-illustration approach used in prior IFRS-transition studies on Uzbekistan. The enterprise has a bank loan, a finance lease for production equipment, a short-term deposit, and a minority equity

stake in a supplier, generating the four cash-flow-related items shown in the diagram above: interest paid on the loan, interest received on the deposit, interest expense on the lease liability, and dividends received from the equity stake. Under the current NAS-based statement, none of these four items carries any activity-based tag - they sit inside aggregated "operating expenses" and "financial income" lines, which is precisely the practice documented in the literature on Uzbekistan's IFRS convergence gap.

Table 1.

Comparison of cash flow / income statement classification rules: IAS 7/IAS 1 (current), IFRS 18/amended IAS 7 (new), and Uzbekistan NAS/BHMS

Dimension	Current IAS 7 / IAS 1	New IFRS 18 / amended IAS 7	Uzbekistan NAS/BHMS	Required adjustment
P&L structure	No mandatory category structure; line items presented largely at management's discretion	Mandatory operating, investing, financing categories with three required subtotals	No equivalent category structure; financial result formed by single aggregated indicators	Introduce new presentation format and corresponding sub-accounts
Interest/dividends paid	Policy choice: operating or financing	Classified as financing (for entities without a specified main business activity)	Typically recorded as part of "other operating expenses" or financial expenses without category distinction	Reclassify into financing-activity accounts; update account mapping
Interest/dividends received	Policy choice: operating or investing [3]	Classified as investing (for entities without a specified main business activity)	Recorded as financial income, not distinguished by activity type	Reclassify into investing-activity accounts
Entities with financing/investing as core business	Not specifically addressed	Specified main business activity test reroutes related items into operating	No equivalent test exists in current methodology	Develop entity-level activity assessment procedure
Lease-related financing liabilities	Presented per entity policy, often within financing	Presented within financing activities under the new prescriptive rule	Lease liabilities tracked under general long-term liabilities, no activity tag	Tag lease-liability accounts for financing-activity reporting

Table 1 demonstrates that the gap between Uzbekistan's national accounting practice and the upcoming IFRS 18 requirements is not confined to a single line item, but runs across the entire structure of financial statement presentation. Under the current regime, neither IAS 7/IAS 1 nor Uzbekistan's NAS/BHMS impose a mandatory category structure on the statement of profit or loss: IAS 7/IAS 1 leaves the choice largely to management discretion, while NAS/BHMS aggregates the financial result through a small set of generalized indicators with no activity-based breakdown at all. IFRS 18 closes this gap from the international side by introducing a fixed three-category structure (operating, investing, financing) together with three mandatory subtotals, but Uzbekistan's national framework currently has no equivalent mechanism to produce these subtotals directly from its existing accounts.

The remaining four dimensions in the table reveal a consistent pattern: items that are currently presented as a matter of policy choice under IAS 7 - interest paid, interest received, and lease-related financing liabilities - are also currently recorded in Uzbekistan's practice without any activity-based tag, typically buried within "other operating expenses" or undifferentiated "financial income" [3]. IFRS 18 removes the policy choice on the international side by assigning each of these items to a specific category by default, while introducing a new entity-level test - the specified main business activity assessment - for the

minority of entities whose core operations involve financing or investing. Because Uzbekistan's NAS/BHMS framework has no equivalent test or tagging mechanism, every one of these classification rules requires a corresponding structural adjustment, listed in the right-hand column of the table, before an Uzbek enterprise's accounting system could produce IFRS 18-compliant output without manual reclassification at period end.

Having established at the conceptual level where Uzbekistan's current accounting practice diverges from the requirements of IFRS 18, the analysis now turns to how these divergences play out in practice. The following section applies the five dimensions identified in Table 1 to the illustrative composite enterprise described above, tracing each of its four financing- and investing-related items through the reclassification process and recording the resulting placement under IFRS 18 in Table 2. In other words, Table 2 sets out the reclassification of each item, applying the dimensions identified in Table 1.

Table 2.

Item-by-item reclassification of the illustrative enterprise's financing- and investing-related transactions under IFRS 18

Item	Calculation formula	Current NAS placement	IFRS 18 placement	Classification driver	Materiality flag
Interest paid (bank loan)	$\text{Interest paid} = \text{Loan principal} \times \text{Annual interest rate} \times (\text{Period} / 12)$	Operating expenses	Financing	No specified main business activity → interest paid is financing	High - directly reduces new operating profit subtotal
Lease interest expense	$\text{Lease interest} = \text{Lease liability (opening balance)} \times \text{Implicit/incremental borrowing rate}$	Long-term liabilities note, expense in operating	Financing	New IFRS 18 rule places lease-related financing costs in financing	Medium - depends on lease portfolio size
Interest received (deposit)	$\text{Interest received} = \text{Deposit principal} \times \text{Deposit rate} \times (\text{Period} / 12)$	Financial income	Investing	No specified main business activity → interest received is investing	Medium - removes income from operating profit
Dividends received (equity stake)	$\text{Dividends received} = \text{Ownership share (\%)} \times \text{Investee's declared dividend}$	Financial income	Investing	Same rule applies to dividends received	Low-medium - depends on stake size

Two of the four items (interest paid, lease interest) move out of what was effectively an operating-adjacent presentation and into the new financing category; the other two (interest received, dividends received) move out of an undifferentiated "financial income" line and into investing. None of the four remains where it currently sits, which illustrates a broader point: under the current NAS structure, all four items are treated as a homogeneous "financial result," whereas IFRS 18 forces them into two distinct categories with opposite directional effects on the new mandatory subtotals.

The reclassification in Table 2 has a direct, mechanical effect on the three subtotals IFRS 18 makes mandatory: operating profit, profit before financing and income taxes, and net profit. Because interest paid and lease interest are removed from the operating block, the enterprise's operating profit increases relative to the current presentation - even though no underlying economic activity has changed. Conversely, because interest received and dividends received are removed from what was previously aggregated with operating-adjacent income, the investing subtotal absorbs income that previously inflated "financial income" without a clear activity label. The net profit figure is unchanged in total, since IFRS 18 reclassifies presentation, not recognition - but the path to that net profit figure, and the operating profit figure that analysts and lenders typically scrutinise most closely, changes materially.

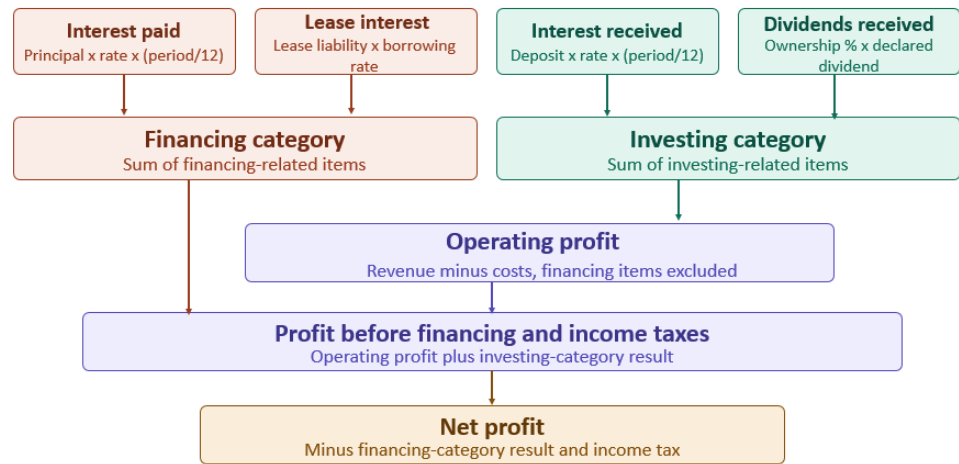


Figure 2. Calculation Flow: From Reclassified Items to IFRS 18 Mandatory Subtotals

Figure 2. Calculation flow from reclassified financing- and investing-related items to the IFRS 18 mandatory subtotals, illustrated using the composite enterprise's four items: interest paid, lease interest, interest received, and dividends received. The diagram shows how the financing category (interest paid, lease interest) and the investing category (interest received, dividends received) feed into the operating profit subtotal and ultimately determine profit before financing and income taxes and net profit, as derived from the formulas in Table 2.

5. Discussion

To translate the comparative and formula-based framework into concrete financial terms, this section applies the reclassification model to a numerical example modelled on a large Uzbek export-oriented holding company. The company has four financing- and investing-related items, each computed using the formulas established in Table 3.

Table 3.

Numerical illustration of IFRS 18 reclassification for a large export-oriented holding (USD million)

Item	Formula	Input values	Calculated amount	Current NAS line	IFRS 18 category
Interest paid (syndicated export loan)	Principal × rate × (period/12)	\$180m × 9.5% × 12/12	\$17.10m	Operating expenses	Financing
Lease interest (port/logistics equipment)	Lease liability × borrowing rate	\$42m × 11%	\$4.62m	Long-term liabilities note	Financing
Interest received (export proceeds deposit)	Deposit × rate × (period/12)	\$65m × 6.2% × 12/12	\$4.03m	Financial income	Investing
Dividends received (20% stake in logistics affiliate)	Ownership % × declared dividend	20% × \$28m	\$5.60m	Financial income	Investing

Using the figures in Table 3, together with assumed operating data for the holding (revenue of \$640m and total operating costs, excluding the reclassified items, of \$548m), the three IFRS 18 subtotals are computed as follows.

Operating profit = Revenue – Operating costs (financing items excluded) = \$640m – \$548m = **\$92.00m**

Under the current NAS-based presentation, by contrast, the \$17.10m of interest paid on the syndicated loan and the \$4.62m of lease interest were both embedded within operating expenses, meaning the NAS-equivalent operating result was effectively \$92.00m – \$17.10m – \$4.62m = \$70.28m. The reclassification therefore raises the reported operating profit by \$21.72m, or roughly 30.9%, relative to the prior presentation - purely as a result of moving

financing costs out of the operating block, with no change in the underlying cash flows or economic activity.

Financing category result = $-(\text{Interest paid} + \text{Lease interest}) = -(\$17.10\text{m} + \$4.62\text{m}) = -\$21.72\text{m}$

Investing category result = $\text{Interest received} + \text{Dividends received} = \$4.03\text{m} + \$5.60\text{m} = +\$9.63\text{m}$

Profit before financing and income taxes = $\text{Operating profit} + \text{Investing category result} = \$92.00\text{m} + \$9.63\text{m} = \$101.63\text{m}$

Net profit (assuming an income tax expense of \$19.80m, unaffected by the reclassification) = $\text{Profit before financing and income taxes} + \text{Financing category result} - \text{Income tax} = \$101.63\text{m} - \$21.72\text{m} - \$19.80\text{m} = \mathbf{\$60.11\text{m}}$

As expected from the conceptual analysis in Section 4.3, the net profit figure (\$60.11m) is identical to what would be obtained under the prior NAS-based aggregation of the same four items and the same tax expense - IFRS 18 changes presentation, not recognition. What changes materially is the path to that figure, and in particular the operating profit subtotal, which is the figure most frequently used in covenant calculations, peer benchmarking, and operating-margin analysis.

This presentation effect has direct consequences for ratio-based analysis commonly used by lenders, rating agencies, and management. Using the holding's revenue of \$640m, the operating margin shifts from $70.28/640 = 10.98\%$ under the current NAS-equivalent presentation to $92.00/640 = 14.38\%$ under IFRS 18 - a 3.4 percentage-point increase generated entirely by reclassification. For a highly leveraged export holding of this kind, where syndicated loan covenants are frequently expressed as a multiple of operating profit or EBIT-equivalent measures, this shift is large enough to materially affect covenant headroom calculations without any change in the company's actual debt-servicing capacity. This finding extends the concerns raised in the literature on technical capacity constraints among emerging-market preparers: the risk is not only that preparers may misclassify items, but that correctly applying IFRS 18 will itself generate ratio movements that stakeholders unfamiliar with the new standard may misinterpret as a genuine improvement in operating performance.

The numerical illustration above assumes the holding does not meet the IFRS 18 "specified main business activity" threshold for investing or financing [4]. This assumption deserves scrutiny in the Uzbek context specifically because large export holdings frequently hold equity stakes in affiliated logistics, trading, or financial-service subsidiaries as a structural feature of vertically integrated group structures, rather than as incidental treasury management. If such a holding were deemed to have a specified main business activity of investing in equity instruments - for example, because its logistics-affiliate stake forms part of a broader portfolio of strategic equity holdings - the \$5.60m of dividends received in Table 4 would instead be classified as operating income rather than investing income. Under that alternative scenario, operating profit would rise further to \$97.60m (operating margin of 15.25%), while the investing category result would fall to \$4.03m. This sensitivity illustrates that the classification outcome - and therefore the reported operating margin - is not a fixed, mechanical translation but depends on a judgment-laden entity-level assessment that Uzbekistan's current regulatory guidance does not yet address.

The \$21.72m financing-category result and \$9.63m investing-category result in Table 4 cannot currently be extracted directly from the holding's accounting records, because - as established in Section 4.5 - Uzbekistan's chart of accounts does not tag interest, lease, and dividend transactions by activity type at the point of initial recognition. For an entity of this size, reconstructing these figures retrospectively at each reporting date through manual

analysis is operationally feasible but creates audit and internal-control risk, particularly given the materiality of the amounts involved (the \$21.72m financing adjustment represents approximately 3.4% of revenue). This reinforces the paper's central practical recommendation: large Uzbek enterprises preparing for the 2027 effective date should prioritize upstream chart-of-accounts redesign - introducing dedicated sub-accounts for financing-classified interest and lease costs, and investing-classified interest and dividend income - well before the mandatory transition, rather than treating IFRS 18 compliance as a year-end restatement exercise.

The numerical illustration confirms three points raised at the conceptual level in Section 4. First, the magnitude of the reclassification effect is not trivial: a 30.9% increase in operating profit and a 3.4 percentage-point shift in operating margin, generated by reclassifying just four line items, demonstrates that IFRS 18's presentation reform has real analytical consequences even though net profit is unchanged. Second, the "specified main business activity" test introduces a further layer of judgment that can shift significant amounts (here, \$5.60m) between categories depending on how an entity's core business is defined - a determination not yet supported by specific guidance in Uzbekistan's regulatory framework. Third, the chart-of-accounts gap identified through the illustrative case is proportionally significant even for large, well-resourced holdings, suggesting that the implementation burden documented in the general IFRS-adoption literature will likely be compounded, rather than mitigated, by company size alone.

6. Conclusion

This paper set out to analyze how the introduction of IFRS 18 Presentation and Disclosure in Financial Statements will reshape the classification of financing and investing activities for enterprises operating under Uzbekistan's national accounting standards, and to translate that analysis into a practical model that enterprises can apply ahead of the standard's mandatory effective date of 1 January 2027. Three sets of findings emerge from the comparative, case-based, and numerical analysis presented above.

First, the comparative analysis in Section 4 confirmed that the gap between Uzbekistan's current accounting practice and IFRS 18 is structural rather than cosmetic. NAS/BHMS currently has no mechanism for tagging interest, dividend, and lease-related transactions by activity type at the point of initial recognition, while IFRS 18 makes such tagging mandatory through its three-category presentation structure and its removal of the accounting policy choice previously available under IAS 7 for interest and dividends paid and received. The illustrative case demonstrated that every one of the four transaction types examined - interest paid, lease interest, interest received, and dividends received - requires a corresponding adjustment to the chart of accounts before an Uzbek enterprise's accounting system could generate IFRS 18-compliant output without manual, after-the-fact reclassification.

Second, the numerical illustration in Section 5 showed that the magnitude of this reclassification is far from trivial. For the composite export-oriented holding company examined, reclassifying just two financing items shifted reported operating profit upward by approximately 31%, and operating margin by 3.4 percentage points, with no change whatsoever in underlying cash flows, recognition, or net profit. This finding has a direct and underexplored implication for financial statement users in Uzbekistan: lenders, rating agencies, and analysts who rely on operating profit-based covenants or peer benchmarks will need to recalibrate their reference points specifically because of presentation change, not performance change - a risk compounded, as Section 5.4 showed, by the additional judgment introduced by IFRS 18's "specified main business activity" test for entities such as vertically

integrated holdings with equity stakes in affiliated companies

Third, situating these findings within the broader literature on IFRS adoption in emerging and transition economies suggests that IFRS 18 is likely to compound, rather than resolve, the capacity constraints already documented for Uzbek preparers. Because the standard replaces optionality with more prescriptive, activity-dependent rules, it raises rather than lowers the technical bar for correct application - even as it improves cross-entity comparability at the international level.

Based on these findings, the paper offers three practical recommendations for Uzbek enterprises and regulators preparing for the 2027 transition. Enterprises - particularly larger holdings and exporters with material financing and investing activity - should begin redesigning their chart of accounts now, introducing dedicated sub-accounts that tag interest, lease, and dividend transactions by activity type at the point of recording rather than at period end. Audit and finance functions should proactively communicate the presentation-driven nature of the expected operating profit increase to lenders and other stakeholders, to prevent misinterpretation of a purely classificatory shift as a genuine performance improvement. Finally, professional and regulatory bodies in Uzbekistan should consider issuing local implementation guidance on the "specified main business activity" test, given its potential to materially affect the classification outcome for the vertically integrated group structures that are common among large Uzbek enterprises.

This study is necessarily limited by the fact that IFRS 18 is not yet effective and no Uzbek enterprise has yet published financial statements under it; the case and numerical illustrations are therefore prospective and based on composite, anonymised profiles rather than observed practice. Future research, once first IFRS 18-based financial statements become available after 2027, should extend this analysis to an empirical, multi-enterprise sample - testing, in particular, whether the magnitude of the operating-profit effect documented here for a single illustrative holding generalises across sectors with differing financing and investing structures, and whether Uzbek enterprises' classification of "specified main business activity" status converges with or diverges from international practice.

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