



## **International Congress on Economics, Management and Business Studies**

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

---

### **THEORETICAL AND PRACTICAL FOUNDATIONS FOR IMPROVING EQUITY ACCOUNTING IN JOINT-STOCK COMPANIES UNDER IFRS**

Akhmedov Latayibkhon Mamitkhonovich  
Acting Associate Professor, Department of  
Digital Economy and Financial Technologies at UMFT

#### **Abstract**

This article examines the theoretical, methodological, and practical foundations for improving equity accounting practices in joint-stock companies based on International Financial Reporting Standards (IFRS). The study focuses on the recognition, measurement, presentation, and disclosure of equity components, including share capital, additional paid-in capital, revaluation reserves, retained earnings, and other equity instruments. Particular attention is paid to the role of IFRS in enhancing financial transparency, strengthening corporate governance, improving investor confidence, and increasing the comparability of financial statements.

**Keywords:** joint-stock company, equity, International Financial Reporting Standards, IFRS, corporate governance, capital market, financial transparency, investment attractiveness.

In the modern global financial system, equity accounting plays a crucial role in ensuring the transparency, reliability, and comparability of corporate financial information. For joint-stock companies, equity is not merely an accounting category; it represents the financial foundation of corporate stability, shareholder rights, dividend policy, investment capacity, and long-term market value.



## **International Congress on Economics, Management and Business Studies**

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

Therefore, the proper recognition and presentation of equity in financial statements is of strategic importance for investors, creditors, regulators, and other stakeholders.

International Financial Reporting Standards have become a globally recognized framework for preparing high-quality financial statements. IFRS-based reporting enables companies to present financial information in a manner that is understandable and comparable across jurisdictions. In joint-stock companies, this is particularly important because ownership is divided among shareholders, and financial reporting serves as one of the main instruments of accountability between management and owners [1].

The improvement of equity accounting practices based on IFRS is especially relevant for emerging economies and developing capital markets. In such contexts, national accounting systems often face challenges related to insufficient transparency, weak disclosure practices, limited professional judgment, and differences between local accounting rules and international standards. As a result, investors may face information asymmetry, which increases the cost of capital and reduces confidence in corporate financial statements [2].

The transition to IFRS in equity accounting should therefore be understood not only as a technical accounting process but also as a broader institutional reform. It contributes to better corporate governance, improved access to international financial markets, more reliable valuation of companies, and stronger protection of shareholders' interests. In this regard, the study of equity accounting in joint-stock companies based on IFRS is of significant theoretical and practical importance.

The theoretical foundations of equity accounting are closely related to the concepts of capital maintenance, ownership rights, and corporate financial structure. According to the IFRS Conceptual Framework, equity is defined as the



## **International Congress on Economics, Management and Business Studies**

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

---

residual interest in the assets of an entity after deducting all its liabilities [3]. This definition emphasizes the residual nature of equity and highlights its dependence on the accurate measurement of assets and liabilities.

IAS 1 “Presentation of Financial Statements” establishes the general requirements for the presentation of equity in financial statements. It requires companies to present a statement of changes in equity, showing total comprehensive income, transactions with owners, dividends, and changes in each component of equity [4]. This requirement is particularly important for joint-stock companies because it enables users of financial statements to understand how equity has changed during the reporting period.

Scholars have emphasized that high-quality equity reporting reduces information asymmetry between management and investors. Ball argues that IFRS contributes to improving financial reporting quality by increasing comparability and transparency in capital markets [5]. Similarly, Barth, Landsman, and Lang note that companies applying international accounting standards tend to demonstrate higher accounting quality, lower earnings management, and greater value relevance of accounting information [6].

From the perspective of corporate governance, equity accounting is closely connected with shareholder protection and managerial accountability. The OECD Principles of Corporate Governance emphasize the importance of timely and accurate disclosure of all material matters regarding a corporation, including financial performance, ownership structure, and governance arrangements [7]. Since equity reflects shareholders’ claims on the company’s net assets, transparent equity accounting is an essential component of effective corporate governance.

In developing economies, the implementation of IFRS is often associated with institutional challenges. These include insufficient professional training, weak



## **International Congress on Economics, Management and Business Studies**

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

enforcement mechanisms, differences between tax accounting and financial accounting, and limited experience in applying professional judgment [8]. Therefore, improving equity accounting requires not only formal adoption of IFRS but also the development of methodological guidelines, professional education, regulatory oversight, and digital reporting infrastructure.

Equity accounting in joint-stock companies includes several interconnected components: authorized share capital, issued shares, additional paid-in capital, retained earnings, reserves, treasury shares, and other equity instruments. Under IFRS, these components must be recognized and presented in a way that reflects their economic substance rather than merely their legal form. This approach differs from many national accounting systems, where accounting treatment may be more rule-based and closely connected with legal or tax regulations.

One of the most important advantages of IFRS-based equity accounting is the improvement of financial transparency. When equity components are properly classified and disclosed, investors can better evaluate the company's financial stability, dividend potential, capital structure, and risk exposure. For example, the distinction between retained earnings and revaluation reserves helps users understand whether equity growth is generated from operating performance or from changes in asset valuation.

Another important issue is the presentation of changes in equity. The statement of changes in equity provides detailed information about transactions with shareholders, profit distribution, other comprehensive income, and changes in reserves. This statement is highly relevant for joint-stock companies because it directly reflects the relationship between the company and its shareholders.



## International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

**Table 1. Key IFRS-based requirements for equity accounting in joint-stock companies**

Equity accounting area	IFRS-based requirement	Practical significance
Recognition of equity	Equity is recognized as residual interest after deducting liabilities from assets	Ensures conceptual consistency and reliable financial reporting
Presentation of equity	Equity components must be separately disclosed in financial statements	Improves transparency for shareholders and investors
Statement of changes in equity	Companies must disclose changes in each equity component	Strengthens accountability for profit distribution and capital changes
Disclosure of equity information	Significant equity-related policies and movements must be explained	Reduces information asymmetry and supports investment decisions

The table shows that IFRS-based equity accounting is not limited to recording capital transactions. It requires a comprehensive approach to recognition, presentation, and disclosure. This increases the analytical value of financial statements and supports more informed decision-making by investors and other users.

In many joint-stock companies, the main practical challenge is the correct classification of financial instruments as either equity or liabilities. IAS 32 establishes principles for distinguishing equity instruments from financial liabilities [9]. This distinction is important because misclassification may distort financial ratios, debt levels, profitability indicators, and the overall assessment of financial stability.

For example, certain preference shares may be classified as liabilities if they create a contractual obligation to deliver cash or another financial asset.



## International Congress on Economics, Management and Business Studies

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

Conversely, ordinary shares usually meet the definition of equity because they represent residual ownership interests. Therefore, companies must carefully analyze the contractual terms of financial instruments rather than relying only on their legal names.

Another important issue is the treatment of treasury shares. Under IFRS, treasury shares are deducted from equity and are not recognized as assets [9]. This treatment prevents companies from artificially inflating their assets and ensures a more accurate presentation of shareholders' equity.

**Table 2. Main challenges and improvement directions in IFRS-based equity accounting**

Existing challenge	Possible consequence	Improvement direction
Limited understanding of IFRS principles	Incorrect classification of equity components	Strengthening professional training and certification
Weak disclosure practices	Reduced investor confidence and limited transparency	Expanding explanatory notes to financial statements
Differences between tax and financial accounting	Methodological inconsistencies in reporting	Separating financial reporting objectives from tax calculations
Insufficient digital reporting infrastructure	Lower efficiency and higher risk of reporting errors	Introducing automated IFRS-based reporting systems

The analysis indicates that the improvement of equity accounting practices requires a multidimensional approach. It is not enough to formally declare the transition to IFRS. Companies must develop internal accounting policies, train



## **International Congress on Economics, Management and Business Studies**

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

---

financial specialists, improve disclosure practices, and ensure effective regulatory supervision.

From a corporate governance perspective, transparent equity accounting strengthens the accountability of management to shareholders. Since equity reflects the ownership interests of shareholders, any changes in equity must be clearly explained. This includes the issuance of new shares, dividend payments, changes in reserves, and other transactions with owners. Such transparency reduces the possibility of manipulation and increases trust in corporate reporting. From an investment perspective, IFRS-based equity accounting improves the attractiveness of joint-stock companies. Investors usually prefer companies whose financial statements are prepared according to internationally recognized standards. This is because IFRS reduces uncertainty and allows investors to compare companies across countries and industries. As a result, companies applying IFRS may gain better access to capital markets and reduce their cost of capital [10].

The implementation of IFRS in equity accounting creates significant opportunities for joint-stock companies. First, it improves the quality of financial information and enables users to assess the real financial position of the company. Second, it enhances corporate governance by increasing transparency and accountability. Third, it supports capital market development by providing investors with reliable and comparable information.

However, the transition to IFRS also requires serious institutional preparation. Companies need qualified accountants, auditors, financial analysts, and internal control specialists who can correctly apply IFRS principles. Regulators must ensure consistent enforcement of reporting requirements, while universities and professional organizations should modernize accounting education in accordance with international standards.



## **International Congress on Economics, Management and Business Studies**

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

In addition, the successful implementation of IFRS-based equity accounting requires the development of methodological recommendations adapted to national economic conditions. While IFRS provides general principles, companies often need practical guidance on applying these principles to specific transactions. Therefore, national regulators and professional associations should prepare explanatory materials, sectoral guidelines, and model accounting policies for joint-stock companies.

Another important issue is digitalization. Modern financial reporting increasingly depends on automated accounting systems, electronic disclosure platforms, and digital audit tools. Digital transformation can reduce reporting errors, increase efficiency, and improve the timeliness of financial information. Therefore, the improvement of equity accounting should be combined with the development of digital financial reporting infrastructure.

Based on the analysis, the following recommendations can be proposed for improving equity accounting practices in joint-stock companies based on IFRS. First, joint-stock companies should develop clear accounting policies for each component of equity. These policies should define the principles of recognition, measurement, presentation, and disclosure in accordance with IFRS requirements.

Second, professional training programs should be strengthened. Accountants, auditors, and financial managers should receive systematic training on IFRS, particularly on IAS 1, IAS 32, IFRS 9, and the IFRS Conceptual Framework.

Third, the quality of disclosures in financial statements should be improved. Companies should provide detailed explanations of changes in share capital, retained earnings, reserves, dividend payments, and other equity-related transactions.



## **International Congress on Economics, Management and Business Studies**

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

Fourth, regulators should enhance monitoring and enforcement mechanisms. Formal adoption of IFRS must be supported by effective supervision to ensure that companies apply the standards correctly and consistently.

Fifth, digital IFRS reporting systems should be introduced. Automated reporting platforms can improve the accuracy, timeliness, and comparability of financial statements.

Sixth, the separation between financial accounting and tax accounting should be strengthened. IFRS-based financial reporting should focus on providing useful information to investors and other users, while tax accounting should serve fiscal purposes.

Equity accounting in joint-stock companies is a strategically important component of corporate financial reporting. It reflects the ownership interests of shareholders, the financial stability of the company, and the quality of corporate governance. The application of International Financial Reporting Standards significantly improves the transparency, reliability, and comparability of equity-related information.

The study shows that IFRS-based equity accounting contributes to reducing information asymmetry, strengthening investor confidence, improving access to capital markets, and enhancing corporate accountability. At the same time, the effective implementation of IFRS requires professional capacity, methodological consistency, strong regulatory oversight, and digital reporting infrastructure.

Therefore, improving equity accounting practices in joint-stock companies should be viewed not only as an accounting reform but also as an important institutional mechanism for developing capital markets, protecting shareholders' interests, and increasing investment attractiveness. In this regard, the transition to IFRS-based equity accounting is a necessary condition for the integration of joint-stock companies into the international financial environment.



## **International Congress on Economics, Management and Business Studies**

Hosted Online from New York, USA

Date: 23<sup>rd</sup> June , 2026

Website: <https://econferencia.com>

---

### **References**

- [1] International Accounting Standards Board. IFRS Standards: Conceptual Framework for Financial Reporting. London: IFRS Foundation, 2018.
- [2] Nobes, C., & Parker, R. Comparative International Accounting. 14th ed. Harlow: Pearson Education, 2020.
- [3] International Accounting Standards Board. Conceptual Framework for Financial Reporting. London: IFRS Foundation, 2018.
- [4] International Accounting Standards Board. IAS 1: Presentation of Financial Statements. London: IFRS Foundation, 2023.
- [5] Ball, R. “International Financial Reporting Standards: Pros and Cons for Investors.” *Accounting and Business Research*, vol. 36, no. sup1, 2006, pp. 5–27.
- [6] Barth, M. E., Landsman, W. R., & Lang, M. H. “International Accounting Standards and Accounting Quality.” *Journal of Accounting Research*, vol. 46, no. 3, 2008, pp. 467–498.
- [7] OECD. G20/OECD Principles of Corporate Governance 2023. Paris: OECD Publishing, 2023.
- [8] Zeghal, D., & Mhedhbi, K. “An Analysis of the Factors Affecting the Adoption of International Accounting Standards by Developing Countries.” *The International Journal of Accounting*, vol. 41, no. 4, 2006, pp. 373–386.
- [9] International Accounting Standards Board. IAS 32: Financial Instruments: Presentation. London: IFRS Foundation, 2023.
- [10] Daske, H., Hail, L., Leuz, C., & Verdi, R. “Mandatory IFRS Reporting around the World: Early Evidence on the Economic Consequences.” *Journal of Accounting Research*, vol. 46, no. 5, 2008, pp. 1085–1142.