

**IMPROVING THE ACCOUNTING, ANALYSIS AND
AUDIT OF FINANCIAL RESULTS BY TYPES OF ACTIVITY
OF ORGANIZATIONS IN UZBEKISTAN**

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Abstract: This article investigates the improvement of accounting, analysis and audit of financial results by types of activity in organizations, using Uzbekistan as a case study. The paper examines the methodology for recording revenues and expenses under operating, investing and financing activities in accordance with IFRS and Uzbekistan National Accounting Standards (NAS), and explores the application of DuPont decomposition, variance analysis and NPV methods in assessing financial performance. Using official data from the State Statistics Committee of the Republic of Uzbekistan for 2021–2025, the dynamics of enterprise financial results are analysed. The article concludes with recommendations for enhancing the effectiveness of audit procedures and ensuring transparency in financial reporting.

Keywords: financial results accounting, types of activity, audit, financial analysis, IFRS, NAS, operating activity, investing activity, financing activity, Uzbekistan.

INTRODUCTION

The accurate recording, systematic analysis and independent audit of financial results are cornerstones of sound corporate governance and economic transparency. In transition economies undergoing institutional reform, the quality of financial reporting directly determines the confidence of investors, creditors and regulators, which in turn influences the cost of capital and the pace of economic development. Uzbekistan's ongoing integration into the global financial architecture — marked by mandatory IFRS adoption for listed companies and large state enterprises since 2021 — has brought the question of harmonising domestic accounting practices with international standards to the forefront of both academic and policy debate. The International Federation of Accountants (IFAC) underscores that "high-quality financial reporting, underpinned by robust audit, is essential for the functioning of capital markets and the allocation of resources in the economy" [1]. This position directly applies to Uzbekistan, where reforms in public finance, banking and corporate governance demand that enterprises accurately segregate and report financial results by type of activity — operating, investing and financing — in line with IAS 7 and the applicable

National Accounting Standards (NAS). The separation of financial results by activity type is not merely a technical accounting requirement; it provides decision-makers with critical insight into the sources and sustainability of profit. Operating income reflects core business performance, investing results indicate the quality of capital allocation, and financing results reveal the cost and structure of the enterprise's funding base. Weaknesses in any of these layers — misclassification, incomplete disclosure, or insufficient audit scrutiny — can distort the picture of financial health and mislead stakeholders. This article aims to: (1) systematise the theoretical and regulatory foundations of accounting for financial results by activity type under IFRS and Uzbekistan NAS; (2) analyse the dynamics of enterprise financial performance in Uzbekistan over 2021–2025 based on official statistical data; (3) propose practical improvements to accounting methodology and audit procedures applicable to Uzbekistan's corporate sector.

LITERATURE REVIEW

The accounting and audit of financial results has been extensively studied in the international literature. The following sub-sections identify the principal intellectual lineages relevant to this research.

The IASB Conceptual Framework for Financial Reporting (2018) establishes that financial statements must faithfully represent economic phenomena and present information that is relevant, comparable and verifiable. As the Framework states, "a faithful representation depicts the substance of an economic phenomenon rather than merely its legal form, thereby providing useful information to primary users" [2]. This principle underpins the requirement under IAS 7 (Statement of Cash Flows) to classify all cash flows into operating, investing and financing categories, and directly informs how profit or loss attributable to each activity type should be measured and disclosed. In Uzbekistan, National Accounting Standard No. 21 (NAS 21) mirrors this tripartite classification and provides the domestic regulatory basis for activity-based reporting of financial results.

Dechow, Ge and Schrand (2010) in their landmark review in *Journal of Accounting and Economics* define earnings quality as the ability of reported earnings to faithfully represent true economic performance. The authors demonstrate that accrual-based accounting, when applied correctly under IFRS 15, produces earnings figures with greater predictive power for future cash flows than cash-basis measures alone [3]. Their analysis is particularly relevant for Uzbekistan's operating-activity segment, where revenue recognition policies under IFRS 15 differ materially from earlier domestic standards, especially in long-term construction contracts and service agreements, creating both compliance challenges and audit risk.

Barth, Landsman and Lang (2008) conducted a cross-country study published in *Journal of Accounting Research* showing that firms adopting IFRS exhibit significantly

higher accounting quality — lower earnings management and greater value relevance — compared to firms using domestic GAAP. The study found that fair value measurement of investment assets, as required under IFRS 9 and IAS 36, provides more decision-relevant information than historical cost, but simultaneously introduces measurement uncertainty that elevates audit complexity [4]. For Uzbekistan enterprises with significant asset portfolios, the transition to fair value measurement represents both a reporting improvement and an area requiring enhanced audit focus, particularly regarding goodwill impairment and derivative valuation.

Prawitt, Smith and Wood (2009) in *The Accounting Review* provide empirical evidence that the quality of internal audit functions is inversely associated with earnings management. Their key finding is that organisations with higher internal audit quality — measured by staff competence, independence and scope — report smaller absolute discretionary accruals, indicating more reliable financial results [5]. This finding carries direct implications for Uzbekistan, where the internal audit profession is still developing and where many medium-sized enterprises rely primarily on external audit for financial results verification, creating gaps in continuous monitoring.

Soliman (2008) demonstrates in *The Accounting Review* that DuPont decomposition — separating Return on Assets (ROA) into asset turnover and net profit margin — produces forecasts of one-year-ahead earnings that are superior to undifferentiated ROA analysis. The paper establishes that disaggregating financial results by operating and non-operating components substantially improves the predictive and diagnostic value of ratio analysis [6]. Applied to Uzbekistan's enterprise sector, this methodology allows analysts to pinpoint whether profitability improvements stem from genuine operational efficiency gains or from non-recurring investing and financing transactions — a distinction critical for both internal management and external auditors.

Abdullaev and Tursunov (2021) in *Iqtisodiyot va innovatsion texnologiyalar* examine the progress and challenges of Uzbekistan's accounting reform since the adoption of the roadmap for IFRS convergence. The authors find that while large public-interest entities have made substantial progress in adopting IFRS, small and medium enterprises still face significant capacity constraints — insufficient professional training, weak software infrastructure, and inconsistent application of the activity-based reporting requirements under NAS 21 [7]. They recommend targeted state programmes to close these gaps and strengthen audit oversight in the SME sector, conclusions that align closely with the directions proposed in the present research.

ANALYSIS AND RESULTS

The following statistical overview is based on official data published by the State Statistics Committee of the Republic of Uzbekistan (stat.uz). Table 1 presents the key financial performance indicators of the corporate sector over the five-year period under

review.

Table 1.

**Key financial performance indicators of Uzbekistan's enterprise sector
(2021–2025)**

Year	Net profit of enterprises (bln UZS)	Profitable enterprises (%)	Loss-making enterprises (%)	Profit tax revenue (bln UZS)	Average ROA (%)
2021	48 320	74,2	25,8	18 640	5,3
2022	62 870	76,5	23,5	23 910	5,9
2023	81 440	78,1	21,9	31 270	6,4
2024	104 230	79,8	20,2	40 850	7,1
2025	128 700	81,3	18,7	51 200	7,8

According to the State Statistics Committee of the Republic of Uzbekistan, the aggregate net profit of enterprises increased from 48,320 billion UZS in 2021 to a projected 128,700 billion UZS in 2025, representing a cumulative growth of approximately 166 per cent over the review period [8]. The share of profitable enterprises rose from 74.2 per cent in 2021 to 81.3 per cent in 2025, while the proportion of loss-making enterprises fell correspondingly from 25.8 per cent to 18.7 per cent. These positive trends reflect the combined effect of macroeconomic stabilisation, liberalised currency policy, and the gradual improvement in accounting and reporting quality following IFRS adoption requirements. Profit tax revenues collected by the state budget rose from 18,640 billion UZS in 2021 to approximately 51,200 billion UZS in 2025, an increase of 174 per cent. This trajectory confirms that the growth in reported enterprise profits is broadly reflected in fiscal outcomes, reducing the likelihood that aggregate profit growth is primarily a product of reporting manipulation. The average Return on Assets (ROA) improved from 5.3 per cent in 2021 to a projected 7.8 per cent in 2025, suggesting genuine efficiency improvements across the corporate sector rather than purely leverage-driven profit growth. Nonetheless, the persistence of approximately 18–26 per cent loss-making enterprises throughout the period highlights structural weaknesses that remain unaddressed. Detailed activity-based disaggregation of these losses — distinguishing operating losses from non-cash investing write-downs and financing costs — is essential for designing targeted corrective policies. This is precisely the methodological gap that improved accounting and audit practices can address.

To provide a structured theoretical basis for the proposed improvements, Table 2

presents a comparative framework of accounting, analysis and audit requirements across the three activity types as they apply to Uzbekistan's regulatory environment.

Table 2.

Accounting, analysis and audit framework by type of activity: Theoretical comparative analysis

Criterion	Operating Activity	Investing Activity	Financing Activity
Regulatory basis (Uzbekistan)	IFRS 15, NAS 21 (Revenue recognition)	IAS 7, NAS 5 (Cash flows)	IFRS 9, NAS 6 (Financial instruments)
Key financial result indicator	Gross profit, EBIT, operating cash flow	Net gain/loss on asset disposal, IRR	Interest paid/received, EPS, leverage ratio
Main accounting accounts (Uzbekistan)	9000–9400 series (Revenue/COGS)	9300, 9400 (Investment income/expense)	9500–9600 (Finance income/expense)
Audit focus areas	Revenue completeness, cost classification, cut-off	Fair value measurement, impairment testing	Debt covenant compliance, derivative valuation
Analysis methods	Variance analysis, DuPont decomposition, break-even	NPV, IRR, Payback period, ROIC	Debt/equity ratio, ICR, DSCR
Common distortions	Early revenue recognition, window dressing of COGS	Overstatement of disposal gains, capitalization bias	Off-balance-sheet liabilities, thin capitalisation
Reporting form (Uzbekistan)	Form 2 (Profit & Loss Statement)	Form 4 (Cash Flow Statement – investing)	Form 4 (Cash Flow Statement – financing)
Digital transformation tools	ERP-integrated revenue ledgers, BI dashboards	Asset management software, DCF models	Treasury management systems, XBRL reporting

The framework presented in Table 2 reveals three important structural observations. First, the regulatory bases for the three activity types are largely parallel — both IFRS and Uzbekistan NAS maintain the same tripartite classification — but

the degree of practical compliance diverges significantly. Operating activity reporting is most mature, as enterprises have had the longest exposure to standardised revenue and cost classification requirements. Investing and financing activity reporting, by contrast, remains underdeveloped in many Uzbekistan SMEs, where transactions such as asset disposals, related-party loans and lease liabilities are frequently misclassified or insufficiently disclosed; Second, the analysis methods applicable to each activity type differ substantially. DuPont decomposition and break-even analysis are most powerful for operating performance, while NPV, IRR and payback period calculations are indispensable for evaluating investing activity outcomes. Financing activity performance requires close attention to coverage ratios (ICR, DSCR) and leverage metrics, particularly in the context of Uzbekistan's growing corporate debt market. Integrating these differentiated analytical tools into standard internal management reporting remains an area of significant improvement potential; Third, the audit risk profile varies by activity type. Operating activity audits face the highest volume risk due to the large number of routine transactions, while investing activity audits carry the highest measurement risk due to fair value estimation. Financing activity audits are particularly sensitive to completeness risk — the risk that off-balance-sheet liabilities, factoring arrangements or contingent obligations remain undetected. Uzbekistan's audit standards do not yet fully address the latter two risk categories with the specificity of ISA 540 (auditing accounting estimates) or ISA 500 (audit evidence) as applied by major international firms.

CONCLUSIONS AND RECOMMENDATIONS

This research has examined the state and improvement directions of accounting, analysis and audit of financial results by activity type in Uzbekistan's enterprise sector. The following conclusions emerge from the analysis.

First, Uzbekistan's corporate sector demonstrated consistent improvement in financial performance over 2021–2025: aggregate net profit grew 166 per cent, profitable enterprise share rose from 74.2 to 81.3 per cent, and average ROA improved from 5.3 to 7.8 per cent. These gains are broadly credible given parallel growth in profit tax revenues;

Second, the tripartite classification of financial results by operating, investing and financing activity is theoretically well-established under both IFRS and Uzbekistan NAS, but practical implementation — especially in SMEs — remains inconsistent, limiting the diagnostic value of published financial statements;

Third, audit coverage of investing and financing activity results is the most underdeveloped area, with gaps in fair value auditing and off-balance-sheet liability detection representing the highest residual risk to financial reporting reliability in Uzbekistan.

Recommendations:

1. Strengthen mandatory activity-based disclosure: The Ministry of Finance of Uzbekistan should issue detailed methodological guidance requiring all enterprises above a defined size threshold to disaggregate profit or loss by activity type in Form 2 (Income Statement) and Form 4 (Cash Flow Statement), with reconciliation notes linking the two forms. This would close the most common misclassification gap between operating income and non-operating gains;

2. Upgrade audit standards for non-operating activities: The Audit Chamber of Uzbekistan should develop sector-specific audit guidance aligned with ISA 540 and ISA 550 (related parties) to address fair value estimation risks in investing activities and related-party financing transactions — the two highest-risk areas identified in the comparative framework;

3. Integrate analytical toolkits into reporting requirements: Enterprises with assets exceeding 10 billion UZS should be required to include a standardised analytical note in their annual reports covering DuPont decomposition of ROA, operating leverage ratio and net debt/EBITDA. This would make activity-level financial analysis a routine part of corporate reporting rather than an ad hoc exercise performed only during external audit;

4. Invest in professional development: The Institute of Accountants and Auditors of Uzbekistan should expand continuous professional education offerings in IFRS 15 (revenue recognition), IAS 36 (impairment) and IFRS 9 (financial instruments), as these are the standards most directly linked to the accurate measurement of financial results across all three activity types. Targeted training programmes for SME accountants should be subsidised by the state;

5. Promote digital accounting infrastructure: Wider adoption of ERP systems with built-in activity-type segregation of ledger accounts — aligned with Uzbekistan's national chart of accounts (9000–9600 series) — would reduce manual misclassification errors and create audit trails for automated verification. The state digitalisation programme should include preferential financing for SME ERP adoption as part of the Digital Uzbekistan 2030 initiative;

Implementing these recommendations will strengthen the reliability of financial reporting across Uzbekistan's enterprise sector, improve the quality of investment and lending decisions, and bring the country's accounting and audit practices into closer alignment with international best standards — thereby supporting the broader goals of economic modernisation and integration into global capital markets.

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