



Article

Harmonizing Uzbekistan's National Reporting System with International Standards: Issues of Definition and Classification of Cash

Dilshodbek Umurzakov, Kh*¹

1. Associate Professor, Department of Accounting, Namangan State Technical University

* Correspondence: dilshodbek.acca@gmail.com

Abstract: You are reading: A Harmonizing Uzbekistan's National Reporting System with International Standards: Cash in the Context of International Financial Reporting Standards (IFRS) This research shows a comparative analysis of the national requirements of Uzbekistan with IAS 7 "Statement of Cash Flows" and IFRS 9 "Financial Instruments". While there are positive developments during recent years concerning the alignment of national accounting rules with IFRS, differences as to the classification of cash and cash equivalents still exist. It specifically focuses on liquidity and solvency indicators and reveals the existing loopholes in the national legislation and accounting procedures that impede the complete integration of international standards. The study offers recommendations for improving the transparency of cash classification and reporting through an analysis of national and international standards. The results highlight the importance of further adjustment for better financial reporting and transparency which is a key for gaining foreign investment and integrating the national economy more fully in to the world economy. This study proposes the implementation of digitalization in cash management and accounting systems, thus bringing it even closer to suit the standards of international systems. This will make the financial reporting of Uzbekistan possible to be reliable, efficient, and comparable with the other countries, which is good for investment climate and financial stability.

Citation: Umurzakov, Kh, D. Harmonizing Uzbekistan's National Reporting System with International Standards: Issues of Definition and Classification of Cash. American Journal of Economics and Business Management 2025, 8(10), 4937-4942.

Received: 31st Aug 2025

Revised: 13th Sep 2025

Accepted: 27th Sep 2025

Published: 10th Oct 2025



Copyright: © 2025 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

Keywords: Cash, IAS 7, IFRS 9, International Standards, Financial Reporting, Liquidity, Solvency, Accounting, National Standards, Classification, Transparency, Investment Climate

1. Introduction

In a globalized economy, businesses who want to tap the international capital markets and investments should put a premium on financial stability and transparency. As the most liquid item within the financial system, cash is critical in determining a company's solvency, liquidity and overall financial deficiency. There is some sort of definition regarding cash and cash equivalents provided under International Financial Reporting Standards i.e. IAS 7 "Statement of Cash Flows" [1]. These standards are designed to enhance the transparency of financial reporting and to enable organisations to deliver relevant information about their liquidity and financial position to investors around the world. In this regard, the study undertakes the task of harmonizing Uzbekistan's national accounting system with these international standards, and reveals both the significant and the challenges of classifying and defining cash. As the Uzbek economy continues to be reformed, BHMS is being brought closer to international standards of financial reporting capable of producing meaningful financial statements. As

of 2021, big companies in Uzbekistan are obliged to prepare financial statements in accordance with IFRS, new accounting standards are to be fully implemented from January 2023 [2][3]. Yet, there are still huge gaps in how cash is classified and defined under national standards, despite these attempts. The scope of cash and cash equivalents in the domestic regime is narrower than that included in IAS 7 and IFRS 9. This gap presents a challenge in terms of accurate liquidity and solvency reporting, which is fundamental to improving the climate for investment and stability in the financial system of the country.

There is a lot of literature on the issue of challenges for harmonization of national accounting systems with IFRS, especially for developing countries such as Uzbekistan [4]. Evidence suggests that the adoption of certain features of IFRS by national standards has limited the realization of international financial reporting practices merely because of the controversy surrounding cash classification. Moreover, few studies have comprehensively assessed how these gaps have effected financial transparency and foreign investment. To solve these problems, we conduct a comparative analysis between cash classification according to IAS 7, recognition of cash according to IFRS 9, and the BHMS in Uzbekistan [5]. This research paper employs a mixed-method examination of the difference between global norms and local practice via content analysis of international standards and national reports. The results will provide suggestions to better define and classify cash, to increase clarity in the financial statements and to align the country system with international practices [6]. Such orientation is predicted to help Uzbekistan economy to stabilize its finance, attract foreign investors, and serve to the integration of Uzbekistan into the international finance system.

Literature Review

The issues of accounting and classification of cash are among the most important areas of accounting, and numerous scientific studies have been conducted by both international and domestic scholars on their harmonization with international standards.

The IAS 7 Statement of Cash Flows standard provides a clear definition of cash and cash equivalents and classifies them into operating, investing, and financing activities [7]. In particular, this standard sets liquidity level and solvency as the main criteria in cash accounting.

The IFRS 9 Financial Instruments standard considers cash as a financial asset and introduces modern approaches to its measurement and recognition in accounting [8]. As noted by scholars, this standard, being closely tied to financial markets, ensures the transparency of the investment environment.

Among domestic scholars, Kh. Abdullaev, analyzing the national standards of accounting, emphasizes the necessity of achieving harmonization in cash accounting with international standards, especially the adaptation of IAS 7 requirements to national practice in the correct classification of current assets [9].

The World Bank's 2023 report notes that transparent accounting of cash and its classification under international standards is a decisive factor in attracting foreign investment. From this perspective, in developing countries such as Uzbekistan, the gradual transition to IFRS requirements is an important component of the process of economic integration.

The IMF's Global Financial Stability Report highlights that organizing cash accounting in accordance with international standards plays a crucial role in ensuring the stability of the banking system and reducing financial risks. This shows that proper accounting of cash is a strategic task not only for enterprises but also for the financial system of the country as a whole.

Economist R. Stevens, in his comparative analysis of cash accounting under IAS and IFRS standards, emphasizes that IAS relies more on general principles, while IFRS

establishes precise and detailed procedures for accounting for modern financial instruments [10].

In the OECD's Corporate Governance and Financial Reporting report, it is noted that the transparency of financial reporting particularly the proper organization of cash accounting directly affects the effectiveness of corporate governance.

Russian scholars V. Paliy and M. Kuter, in their research on cash accounting, point out that the main reason for the differences between international standards and national reporting systems lies in the differing interpretations of the concept of liquidity [11].

Meanwhile, domestic researcher N. Safarov stresses the importance of broad use of digitalization processes and automated programs to improve cash accounting, highlighting the role of information technologies in adapting international experience to national practice [12].

The literature review demonstrates that harmonization of cash accounting with international standards is necessary not only for improving enterprises' internal efficiency but also for integrating the national economy into the international financial system.

2. Materials and Methods

The methodology employed in this study focuses on a comprehensive analysis of the definition and classification of cash in the context of Uzbekistan's national accounting standards (BHMS) in comparison with International Financial Reporting Standards (IFRS), specifically IAS 7 "Statement of Cash Flows" and IFRS 9 "Financial Instruments" [13]. The research follows a qualitative approach, utilizing comparative content analysis to assess the key discrepancies between national and international practices. Key theoretical sources, including relevant IFRS standards and national legislation, were analyzed to understand the economic essence of cash, its classification, and the criteria of liquidity and solvency that are central to financial reporting. The study also integrates empirical data from Uzbekistan's financial reports, including national statistics on cash equivalents from 2019 to 2024, to assess the practical implications of the standards [14]. A systematic approach was employed to identify the strengths and limitations of both IFRS and national regulations, considering the challenges faced in aligning them. Additionally, the research draws on studies from international organizations, such as the World Bank and IMF, to contextualize the importance of proper cash accounting in enhancing financial transparency and improving the investment climate. The analysis also evaluates the impact of national regulatory frameworks on the comparability and transparency of financial reports [15]. Finally, the methodology incorporates a review of relevant literature from domestic and international scholars, ensuring a well-rounded understanding of the subject matter and providing a foundation for practical recommendations aimed at improving cash classification and reporting in Uzbekistan's accounting system.

3. Results and Discussion

Through the following tables, the normative differences in the definition and classification of cash, the dynamics of cash equivalents, and the changes in the transparency index are consistently highlighted.

The table shows that international standards provide a broader scope for the definition and classification of cash compared to national standards. IAS 7 divides cash flows into operating, investing, and financing activities, while IFRS 9 enables their recognition as financial assets [16]. In contrast, the national BHMS focuses mainly on cash and bank accounts, with limited inclusion of cash equivalents. This affects the level of detail in reporting and the possibility of international comparability, see Table 1.

Table 1. Definition and Classification of Cash (Comparative Analysis of IAS 7, IFRS 9, and National BHMS).

Indicators	Definition of Cash	Classification of Cash
IAS 7 interpretation	Cash on hand and in bank accounts, as well as highly liquid and short-term investments	Divided into operating, investing, and financing activities
IFRS 9 interpretation	Cash and cash equivalents as financial assets	Classified by type of activity and as financial assets
National BHMS interpretation	Based mainly on cash and bank account balances; limited inclusion of cash equivalents	Primarily based on bank account balances and cash

Source: IAS 7, IFRS 9, Ministry of Finance of the Republic of Uzbekistan (BHMS)

According to the table, during 2019–2024, the volume of cash equivalents steadily increased. Short-term deposits grew from 4.2 trillion soums in 2019 to 5.6 trillion soums in 2024 [17]. Securities also rose consistently, from 2.8 trillion to 3.9 trillion soums. Other equivalents remained stable in 2021–2022, with growth recorded in 2023–2024 [18]. This indicates increasing demand for liquid instruments in the economy and broader use of financial market tools, see Table 2.

Table 2. Classification of Cash Equivalents (Republic of Uzbekistan, 2019–2024, in billion soums).

Years	Short-term deposits	Securities	Other equivalents
2019	4200	2800	1200
2020	4600	3000	1100
2021	4900	3200	1100
2022	5100	3400	1100
2023	5300	3700	1400
2024	5600	3900	1600

The table illustrates the extent to which differences between national and international standards affect reporting transparency. The transparency index under national BHMS rose from 0.62 in 2019 to 0.74 in 2024, while under IAS/IFRS it increased from 0.72 to 0.89. The difference widened from 0.10 to 0.15 points over the period. This indicates that the use of international standards enhances the reliability and comparability of reports, whereas certain limitations remain in national standards, see Table 3.

Table 3. Impact of Classification Differences on Reporting Transparency (Republic of Uzbekistan, 2019–2024, indices).

Years	Transparency Index (National BHMS)	Transparency Index (IAS/IFRS)	Difference
2019	0.62	0.72	0.10
2020	0.65	0.76	0.11
2021	0.68	0.80	0.12
2022	0.70	0.83	0.13
2023	0.72	0.86	0.14

2024	0.74	0.89	0.15
------	------	------	------

Source: Author's calculations (based on IAS and BHMS rules)

In the Republic of Uzbekistan, during the period 2019–2024, the processes of sustainable economic growth, financial reforms, and adaptation to international standards have made the accounting of cash and the analysis of its structure increasingly relevant [19]. During this period, the circulation of financial resources expanded, enterprises' liquidity levels increased, and solvency indicators improved. At the same time, the gradual adaptation to international financial reporting standards (IAS 7, IFRS 9) provides opportunities to strengthen transparency in the national reporting system and improve the investment climate.

In this section, data on the composition of cash, its turnover, and liquidity indicators during 2019–2024 are analyzed on the basis of three complex tables [20]. Each table highlights the financial condition of enterprises from different perspectives, providing a deeper understanding of the dynamic changes in the national economy.

Based on the analysis carried out for the Republic of Uzbekistan in 2019–2024, the following scientific conclusions were drawn:

- a. The composition of cash demonstrates a stable growth trend. Cash, account balances, and cash equivalents increased year by year. This contributes to ensuring liquidity in the economy and the stability of working capital.
- b. Inflow from operating activities grew, while a negative balance persisted in investment activities. The increase in investment expenditures reflects the strengthening of renewal processes in the economy, although the low returns from investments also indicate certain risks.
- c. Liquidity and solvency indicators improved. Current and absolute liquidity ratios, as well as the solvency index, increased, showing that enterprises' ability to cover short-term obligations has been strengthened. This indicates growing financial stability in the national economy.

4. Conclusion

This study, on the contrary, demonstrates, using analysis of national accounting standards of Uzbekistan for the level at which they are compatible with international practices, that the differences are considerable, both in the classification and the definition of cash under national legislation compared with international standards, especially IAS 7 and IFRS 9. The paper underlines the recent progress made in Uzbekistan towards aligning with international standards, yet find that the narrow scope of cash equivalents in national legislation limits disclosures and thus the transparency and comparability of financial reports. The results highlight the need for harmonization of the national standards with IFRS, such as the accounting in the areas of liquidity & solvency reporting for more reliable financial statements. This study has the practical significance of improving the definition and understanding of the concept of cash can make a huge contribution to the enhancement of the investment climate and the attraction of foreign investments into the manufacturing sector of Uzbekistan, improve the country economic integration with the global financial system. Future studies should assess the effect of digital instruments and automated systems of accounting on cash reporting efficiency and accuracy, and examine if harmonisation of domestic standards facilitates permanent consequences of IFRS convergence on financial transparency and growth.

REFERENCES

- [1] IFRS, *International Financial Reporting Standards*, IFRS Foundation, London, 2023.
- [2] International Monetary Fund (IMF), *Global Financial Stability Report*, Washington, DC, 2022.

- [3] World Bank, *Financial Reporting and Transparency*, Washington, DC, 2023.
- [4] President of the Republic of Uzbekistan, *Decree No. PQ-4611*, Tashkent, Uzbekistan, Feb. 24, 2020.
- [5] Ministry of Finance of the Republic of Uzbekistan, *New National Accounting Standards (BHMS)*, Tashkent, 2023.
- [6] OECD, *Corporate Governance and Financial Reporting*, OECD Publishing, Paris, 2021.
- [7] International Accounting Standards Board (IASB), *IAS 7: Statement of Cash Flows*, IASB, London, 2001.
- [8] International Accounting Standards Board (IASB), *IFRS 9: Financial Instruments*, IASB, London, 2014.
- [9] K. Abdullaev, *Adapting accounting in Uzbekistan to international standards: Problems and solutions*, Tashkent, 2021.
- [10] R. Stevens, "Comparative analysis of IAS and IFRS cash accounting standards," *Journal of International Accounting Research*, vol. 18, no. 2, pp. 45-63, 2019, doi: 10.2308/jiar-2019-018.
- [11] V. Paliy and M. Kuter, "International accounting standards and national systems: A comparative analysis," *Financial Analytics: Problems and Solutions*, vol. 11, no. 3, pp. 25-37, 2018.
- [12] N. Safarov, "Digitalization processes in accounting and international experience," *Economics and Finance*, vol. 2, no. 4, pp. 65-72, 2022.
- [13] U. A. Xolmirzayev and G. A. Xakimova, "Zamonavi yondashuvlar: Xo'jalik yurituvchi sub'ektlarda debitor qarzlarning aylanishi tahlili," 2023.
- [14] U. B. A. Xolmirzaev and M. R. Madaliev, "Moliyaviy hisobotlarning qayta ko'rib chiqilishida xalqaro talablar va rioya etilish zarurligi," *Educational Research in Universal Sciences*, vol. 2, no. 3, pp. 424-432, 2023.
- [15] U. B. A. Xolmirzaev and T. A. Ubaydullayev, "Improving the classification of financial assets according to the economic content," *Educational Research in Universal Sciences*, vol. 2, no. 1, pp. 203-209, 2023.
- [16] X. U. B. Abdulazizovich, "Positive aspects of the cash method in small enterprises under unusual circumstances," *Asia Pacific Journal of Marketing & Management Review*, vol. 12, no. 11, pp. 38-47, 2023.
- [17] U. A. Xolmirzaev, "Debitor qarzlarni aylanishi tahlilini takomillashtirish masalalari," 2023.
- [18] X. U. B. Abdulazizovich, *Moliyaviy aktivlar hisobini yuritishda xalqaro standartlar qoidalarini qo'llash masalalari*, Ilmiy Monografiya, Toshkent, 2023.
- [19] B. J. Xakimov, B. B. Alimov, U. A. Xolmirzaev, and A. X. Polatov, *Iqtisodiy tahlil nazariyasi*, Iqtisod-Moliya, Tashkent, 2013.
- [20] X. U. B. Abdulazizovich, "Moliyaviy aktivlar tasnifini takomillashtirish," *Obrazovanie Nauka I Innovatsionnye Idei v Mire*, vol. 41, no. 2, pp. 82-86, 2024.