

FUNDAMENTALS OF ORGANIZING ACCOUNTING IN COMMERCIAL BANKS

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Abstract

this article comprehensively examines the theoretical and methodological foundations of organizing accounting in commercial banks, its modern development trends, and its role within the financial management system. The study scientifically substantiates the importance of accounting in banking activities as a key source of information for risk management, the formation of financial results, and strategic decision-making. Furthermore, the advantages of maintaining accounting in accordance with International Financial Reporting Standards (IFRS), the priority directions for automating accounting processes in the context of digital transformation, and existing challenges in the field are analyzed. Based on the findings of the research, a set of scientific and practical recommendations aimed at improving the accounting system in commercial banks has been developed.

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Introduction

In the context of deepening globalization and financial integration processes, the banking system is gaining particular importance as one of the most significant and strategic sectors of the national economy. Commercial banks not only act as financial intermediaries by allocating monetary flows among economic agents, but also play a crucial role in stimulating investment processes, supporting economic growth, and ensuring financial stability. From this perspective, the proper organization and management of accounting in commercial banks is of considerable scientific and practical relevance [1][2].

In modern economic conditions, the accounting system in commercial banks is no longer limited to merely recording financial transactions; rather, it is evolving into a comprehensive information system essential for effective management of banking activities, risk assessment, analysis of financial performance, and strategic decision-making [3]. In particular, the increasing complexity of banking operations, the growing diversity of financial instruments, and the widespread implementation of digital technologies are creating new requirements for the organization of accounting systems [4].

In recent years, the transition to International Financial Reporting Standards (IFRS) has necessitated a fundamental improvement in the methodological foundations of organizing accounting in commercial banks. In particular, issues such as the valuation of financial assets and liabilities, the recognition of credit risks, revenue recognition, and ensuring the transparency of financial reporting are becoming priority areas within banking accounting systems. This, in turn, contributes to enhancing the investment attractiveness of

banks, accelerating their integration into international financial markets, and strengthening investor confidence [5][6].

Another important aspect of accounting in commercial banks is its close interconnection with the risk management system. Effective management of factors such as credit risk, liquidity risk, interest rate risk, and operational risk relies directly on reliable and accurate accounting information [7]. Therefore, the accounting system in banks is considered not only as a tool for recording financial transactions but also as an essential instrument for forecasting and controlling risks [8].

Moreover, digital transformation processes are initiating a new stage in the organization of accounting in commercial banks. The automation of accounting systems based on fintech technologies, artificial intelligence, blockchain, and big data significantly enhances the speed, accuracy, and transparency of financial calculations. This, in turn, reduces human errors in banking operations, optimizes operational costs, and strengthens internal control mechanisms [10].

In the Republic of Uzbekistan, large-scale reforms are also being implemented to modernize the banking system, develop the financial services market, and align it with international standards. In particular, special attention is being paid to maintaining accounting in commercial banks in accordance with international standards, enhancing the transparency of financial reporting, and improving internal audit and risk management systems. These processes contribute to strengthening the stability of the banking system, reinforcing financial discipline, and increasing the flow of investments into the economy [11].

At the same time, several challenges remain in the process of organizing accounting in commercial banks. These include the insufficient level of full digitalization of accounting systems, the shortage of qualified specialists, the incomplete alignment of certain methodological approaches with modern requirements, and the low level of integration of information systems. These issues necessitate comprehensive scientific research in this field [12].

This study is specifically aimed at examining the theoretical and methodological foundations of organizing accounting in commercial banks, analyzing its modern development trends, and developing scientific and practical recommendations for improving this system. The results of the research are significant in enhancing the efficiency of commercial bank operations, ensuring the reliability of financial reporting, and supporting the sustainable development of the banking system [13].

Literature Review

“A bank is defined as a legal entity operating as a commercial organization that carries out a set of operations identified as banking activities, including opening and maintaining bank accounts, executing payments, attracting funds in the form of deposits, and issuing loans on its own behalf”¹.

According to economists F.T. Abduvakhidov and A.Yu. Nurmukhammedov, “there are two types of accounting entries: simple and complex entries. A simple accounting entry involves the debiting of one account and the crediting of another account [14][15]. In contrast, a complex accounting entry involves the debiting of one account and the crediting of multiple accounts, or the debiting of multiple accounts and the crediting of a single account”².

“The functioning of financial indicators is carried out under specific economic conditions. In organizing production processes, full specialization of economic entities within a particular sector is considered preferable, as it represents an essential condition for the effective functioning of market-based economic systems”³.

Foreign scholars M.B. Romney and P.J. Steinbart argue that “documentation in financial information systems should be interpreted as the first stage in the data processing cycle [16][17][18]. They emphasize

¹ Law of the Republic of Uzbekistan. (2019). *On banks and banking activities* (No. URL-580, revised edition). Tashkent.

² F.T. Abduvaxidov, A.Yu. Nurmuxammedov. *Banklarda buxgalteriya hisobi fanidan masalalar to'plami. O'quv qo'llanma.* – T.: “Innovatsion rivojlanish nashriyot-matbaa uyi”, 2021. – 388 bet.

³ Abdullayeva Sh.Z. *Bank risklari sharoitida tijorat banklarining kredit portfelini diversifikatsiyalash: iqtisod fanlari doktori (DSc) dissertatsiyasi.* – Toshkent, 2000. – 344 b.

that the accuracy of accounting information in banks largely depends on the proper documentation of financial transactions. Furthermore, several researchers highlight that the integration of digital technologies into the banking sector has fundamentally transformed traditional document circulation processes. This transformation not only reduces operational costs but also enhances transparency in data processing and ensures a higher level of cybersecurity”⁴.

Research Methodology

In this study, a comprehensive scientific approach was employed to examine the issues related to the organization of accounting in commercial banks. During the research process, general scientific methods such as analysis and synthesis, induction and deduction, comparison, and a systematic approach were applied.

Analysis and Results

As of 2025, there are 35 commercial banks operating in the Republic of Uzbekistan, of which 9 are state-owned banks, 15 are joint-stock commercial banks without state participation, 6 are private banks, and 5 are banks with foreign capital participation⁵.

In the Republic of Uzbekistan, the regulatory authority responsible for overseeing accounting is the Central bank of the Republic of Uzbekistan. This is governed by the Law “On the Central bank of the Republic of Uzbekistan” No. 154-I, adopted on december 21, 1995, and revised in a new edition on november 11, 2019.

The Central Bank of the Republic of Uzbekistan (hereinafter referred to as the Central Bank), within the scope of its authority, develops and approves sector-specific standards. It establishes the chart of accounts for accounting and the procedures for their application, determines the classification of accounting accounts in accordance with financial reporting indicators, and defines the procedures for recognizing specific accounting objects within accounting records. Furthermore, it develops the formats for presenting accounting (financial) data of credit institutions and non-credit financial institutions [19][20][21].

By Resolution No. 20/4 of the board of the Central bank of the Republic of Uzbekistan dated november 18, 2021, “On approval of the chart of accounts for accounting in commercial banks,” unified methodological foundations for the organization and maintenance of accounting in commercial banks were established. These are based on the civil code of the Republic of Uzbekistan, the laws “On the central bank of the Republic of Uzbekistan,” “On accounting,” “On banks and banking activities,” as well as International financial reporting standards (IFRS). According to this resolution, the following key principles of accounting were defined:

1. To ensure the reflection of reliable and complete information on the condition of banks’ assets and liabilities, as well as their financial performance in accounting (financial) statements for the purpose of informed decision-making.
2. To record banking operations in strict compliance with the principles of continuity, completeness, and proper documentation.
3. To identify internal reserves and opportunities aimed at strengthening the financial stability of banking institutions, as well as to implement systematic measures to prevent potential negative financial outcomes and risks arising in the course of their activities.

The theoretical and methodological foundations of accounting in banks are based on International Financial reporting standards (IFRS). According to the Resolution of the President of the Republic of Uzbekistan No. PR-4611 dated February 24, 2020, “On additional measures for the transition to international financial reporting standards,” it is envisaged to ensure a gradual and accelerated transition to international standards in the process of organizing accounting. This aims to create a transparent and reliable information

⁴ Gomber, P., Koch, J. A., & Siering, M. (2017). Digital Finance and FinTech: Current research and future research directions. *Journal of Business Economics*, 87(5), 537-580. <https://doi.org/10.1007/s11573-017-0852-x>

⁵ <https://cbu.uz/uz/statistics/bankstats/3182820/>

environment for foreign investors, as well as to expand the opportunities for integrating the national financial system into international financial markets [22][23][24].

At the same time, particular attention is paid to improving the training system for specialists operating in the field of accounting and auditing, ensuring their education in accordance with international standards, and enhancing their professional competencies [25][26]. The Central bank of the Republic of Uzbekistan develops the chart of accounts for all commercial banks, regardless of their form of ownership, and provides methodological support in the development and implementation of their accounting policies.

Accounting principles represent the rules for recognizing, measuring, and presenting the actual state of financial and economic activities within the accounting system. In banking institutions, the fundamental principles of accounting are ensured through qualitative characteristics of accounting information (Table 1).

Table 1.

Qualitative characteristics of accounting information

No.	Qualitative Characteristics	Description	Relevance and Importance
1	Reliability	Information must accurately and objectively reflect the real economic condition	Reliable information reduces the likelihood of errors in decision-making
2	Understandability	Information should be presented in a form that is easy for users to understand	Facilitates the analysis and evaluation of financial statements
3	Relevance	Information that can influence users' economic decisions	Financial information must meet users' needs
4	Comparability	Information should be comparable across different periods or entities	Enables analysis of changes over time
5	Completeness	All significant information must be included in the report	Ensures necessary data for sound financial decisions
6	Objectivity	Information should be free from personal bias or interests	Provides a fair representation of the entity's activities
7	Timeliness	Information must be delivered at the appropriate time	Enables prompt decision-making
8	Materiality	Only economically significant information should be included	Allows exclusion of insignificant data
9	Consistency	Accounting policies should be applied consistently over time	Facilitates comparison and analysis
10	Verifiability	Information should be verified by independent auditors	Ensures reliability of financial reporting

1. Relevance (materiality) of information – this refers to the extent to which information directly influences users' economic decisions. The relevance of information depends on its nature and substance. In some cases, the nature of the information alone is sufficient to reveal its essence without considering materiality, while in other cases, materiality becomes a critical factor.
2. Faithful representation of information – this is expressed through the reliable disclosure of financial and economic transactions in accounting reports.

In order to provide reliable information about the activities of banks, accounting data must meet the following requirements:

- reliability – information should be free from significant errors and distortions;
- neutrality – information must be free from bias and should not favor the interests of specific groups of users;
- prudence – this refers to the careful assessment of assets and liabilities, aimed at minimizing potential future risks that may affect the financial condition of banking institutions. Overstatement of assets and income, as well as understatement of liabilities, should be avoided. In practice, assets should not be overstated, while liabilities should not be understated;
- completeness – financial and economic activities of the reporting period must be fully and adequately reflected from the perspective of users;
- substance over form – the economic essence of financial and economic transactions must be fully disclosed rather than merely their legal form;
- clarity (understandability) – information should be presented in a manner understandable to users who possess a reasonable level of knowledge in accounting;
- comparability – users should be able to compare financial performance across different periods. This requires that all changes in accounting policies be properly disclosed to ensure consistency and comparability;
- timeliness – information must be recorded in the accounting system at the time the transaction occurs (upon receipt of the relevant document);
- verifiability – independent and knowledgeable users should be able to reach a consensus that the information faithfully represents what it purports to depict.

It should also be noted that the preparation and presentation of accounting (financial) reports involve certain costs. These costs must be justified by the benefits derived from the use of such information [27][28][29][30][31].

Conclusion and Recommendations

The results of the study indicate that the effective organization of accounting in commercial banks plays a decisive role in ensuring financial stability, managing risks, and enhancing the soundness of managerial decision-making. In particular, maintaining accounting in accordance with International Financial Reporting Standards (IFRS) contributes to increasing the transparency of banking activities, strengthening their investment attractiveness, and ensuring the faithful representation of financial results.

At the same time, digital transformation processes are emerging as a significant factor in automating accounting systems, improving data accuracy, and reducing operational costs. Overall, the development of accounting in commercial banks in line with modern requirements serves as an important driver for strengthening the stability of the banking system, improving the quality of financial services, and ensuring sustainable economic growth.

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