

Article

Practical Problems of Organizing Accounting in Small Business Entities

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Abstract: This article analyzes the practical problems of organizing accounting in small business entities of Uzbekistan, structured according to IMRAD logic. The study draws on official statistical data for 2023–2025, updated accounting standards for 2024–2026, and local academic sources. The main finding is that simplification of accounting reduces the administrative burden on entrepreneurs, but does not automatically improve the quality of management information. On the contrary, if the boundaries between document circulation, working chart of accounts, electronic reporting, and tax accounting are not clearly defined, the accounting system remains merely a "reporting submission tool."

Keywords: *small business, accounting, simplified accounting, financial reporting, electronic document circulation, tax accounting, internal control.*



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1. INTRODUCTION

The issue of organizing accounting for small businesses is usually explained through the concept of "simplification." However, this approach alone is insufficient. Simplification does not mean eliminating accounting — rather, it means bringing it into a form that corresponds to the economic substance of business operations, is free of excessive administrative burden, and remains auditable. This is precisely where a noticeable tension arises between practice and regulatory requirements.

The Law of the Republic of Uzbekistan "On Accounting" (Law No. ZRU-404, 13 April 2016) regulates relations in the field of organizing, maintaining, and preparing financial reports [1]. However, the mere existence of a legal norm for a small business entity does not mean that its accounting system is functioning properly. In some enterprises, accounting data are generated solely for completing tax reports. This situation leads to a lack of information for management decisions, obtaining credit, attracting investment, and controlling costs.

From 2024 onwards, decisions were adopted to simplify the submission of reports and statistical data. Presidential Resolution No. PQ-8 defined tasks for integrating a unified reporting system and databases [4]. This is a positive change. However, digitalization also has a weak side: if the primary data entered into a system are incorrect, automation spreads errors faster and more broadly. The problem is therefore not only technical, but also methodological and tied to staff training.

2. METHODS

The study employed documentary analysis, comparative analysis, statistical dynamics analysis, and a problem-cause-consequence approach. The data sources included official statistics for 2023–2025, regulatory documents on accounting for 2024–2026, and local academic articles. Laws and standards were studied in their current editions, since working with outdated norms in accounting leads to practical errors.

Table 1. Data Sources Used in the Study

Data Type	Period	Analytical Purpose	Limitation
Regulatory and legal documents	2024–2026 (current editions)	Identifying requirements for organizing accounting	The existence of a norm does not guarantee quality in practice
Official statistics	2023–2025	Assessing the scale of small business and the share of services sector	Statistics reflect the economic environment, not accounting quality
Local academic sources	2023–2025	Comparing problems and approaches	Some articles have a narrow empirical base
Author's analysis	As of 2026	Systematizing problems	No primary survey of enterprises was conducted

3. RESULTS

Official statistics show how wide an economic field the accounting systems of small business entities must serve. As of January 1, 2026, the number of active small business entities was 1,201,612; of these, small enterprises and micro-firms numbered 493,000, while individual entrepreneurs and other forms numbered 708,619 [12]. These figures clearly demonstrate that the issue of organizing accounting is not limited to large enterprises.

Table 2. Distribution of Small Business Entities by Selected Regions, as of 1 January 2026

Region	Total	Small Enterprises & Micro-firms	Individual Entrepreneurs & Others
Republic of Uzbekistan	1,201,612	492,993	708,619
Samarkand	103,852	45,452	58,400
Tashkent city	142,470	96,539	45,931
Andijan	122,726	29,331	93,395
Surkhandarya	107,298	26,910	80,388
Jizzakh	94,610	22,491	72,119
Fergana	93,394	41,870	51,524
Khorezm	91,884	27,746	64,138

Source: National Statistics Committee of the Republic of Uzbekistan [12].

Figure 1. Structural Composition of Small Business Entities (Republic of Uzbekistan, 2026)

Category	Number (thousands) / Share
Small enterprises and micro-firms	492,993 — 41.0%
Individual entrepreneurs, farms, and others	708,619 — 59.0%
TOTAL	1,201,612 — 100%

Source: Compiled by the author on the basis of data from the National Statistics Committee [12].

The role of small business in the services sector is even more pronounced. In January–December 2025, market services provided by small business entities amounted to 595.1 trillion soums, or 56.7% of total market services [14]. This means that for service-providing small businesses, limiting accounting to "income and taxes" is insufficient. The cost of services, contractual obligations, receivables, and cash flows must be generated as separate management information.

Table 3. Small Business Indicators in the Services Sector, January–December 2025

Region	Volume (trln soums)	Share in Total Services (%)	Growth Rate (%)
Republic of Uzbekistan	595.1	56.7%	114.3%
Samarkand	50.9	65.1%	113.8%
Tashkent city	162.6	40.9%	115.6%
Fergana	54.3	75.6%	114.1%
Namangan	42.3	75.1%	114.9%
Bukhara	30.3	71.0%	116.8%

Source: National Statistics Committee, Press Release 20.01.2026 [14].

Figure 2. Dynamics of Small Business Import Volume, 2021–2025 (USD billion)

2021	2022	2023	2024	2025
\$11.5 bn	\$14.7 bn	\$18.2 bn	\$22.0 bn	\$25.4 bn
+Base	+27.8%	+23.8%	+20.9%	+15.5%

Source: Compiled by the author on the basis of data from the National Statistics Committee [12].

The import dynamics also place new demands on the accounting system. In 2021, small business imports amounted to USD 11.5 billion; by 2025 this had risen to USD 25.4 billion [12]. This heightens the need for accurate accounting of foreign currency transactions, exchange rate differences, customs documents, and inventory movements. In particular, the adoption of the new edition of ASNAB No. 22 in 2024 is of practical significance in this regard [9].

Figure 3. Share of Small Business Entities in Transport Activity (%), 2021–2025

2021	2022	2023	2024	2025
38.2%	41.5%	44.8%	47.6%	50.3%

Source: Compiled by the author on the basis of data from the National Statistics Committee [12].

Table 4. Practical Problems Identified in Organizing Accounting in Small Businesses

Problem	Root Cause	Practical Consequence	Recommendation
Accounting is subordinated to tax reporting	The goals of financial and tax accounting are mixed up	Lack of information useful for management decisions	Separate financial and tax registers in the accounting policy
Primary documents are formalized late	Division of responsibilities in small enterprises is unclear	Recognition of expenses and revenues is disrupted	Introduce an electronic document circulation regulation
Working chart of accounts is drafted formally	Requirements of ASNAB No. 21 are not adapted to practice	Transactions are grouped incorrectly	Develop a concise but meaningful working chart of accounts appropriate to the business type
Software is used only for reporting	Staff qualifications and internal control are weak	Errors are reproduced automatically	Introduce internal control checklists for the accountant and manager
Analysis of receivables and payables is poor	No cash flow plan is maintained	Liquidity risk increases	Introduce a monthly accounts aging register and a cash flow schedule

4. DISCUSSION

The results might at first glance lead to a simple conclusion: there are many small businesses, so accounting should be simplified to the maximum. However, caution is warranted here. Excessive simplification reduces the auditability of accounting. If the accounting policy, working chart of accounts, and document circulation are not adapted to the enterprise's activities, the simplified system preserves only the form, not the economic substance.

ASNAB No. 20 defines the simplified procedure for maintaining accounting by small business entities [11]. The 2026 amendments specify that a working chart of accounts must be developed in accordance with ASNAB No. 21 for organizing simplified accounting [11]. This requirement is sound, but in practice, the most difficult step is exactly this: the working chart is often copied from a template and not adapted to the enterprise's real operations.

The updating of the ASNABs in 2024 is aimed at bringing accounting methodology closer to international requirements [8]. However, for small businesses this process has a twofold effect. On one hand, accounting quality may improve. On the other hand, the language of the standards and the techniques for applying them require higher qualifications from the accountant. Therefore, introducing regulatory updates without methodological and instructional support may increase formalism in small business accounting.

Presidential Resolution No. PQ-8 defines tasks for automatic generation of reports and statistical data, integration of databases, and reduction of duplicated data [4]. This reduces the administrative burden for small businesses. However, information systems do not replace the logic of accounting. For example, the presence of an electronic invoice for a business transaction does not mean it has been correctly classified from an economic standpoint.

In local academic literature, the advantages of simplified accounting tend to receive more emphasis. A 2025 article notes that simplified forms can facilitate prompt preparation of reports, accurately reflect tax data, and serve management decisions [15]. This view is partially correct. However, it only holds if accounting data are entered on time, completely, and with correct classification. The effectiveness of a simplified system thus lies not in the system itself, but in internal control and the accountant's qualifications.

There is also another hidden problem: the small business manager often perceives accounting as a cost. In reality, a sound accounting system is not a cost but a management infrastructure that reduces uncertainty. The issue is that the results of this infrastructure are not immediately visible. This is why small enterprises tend to maintain accounting at the minimum required level.

5. CONCLUSIONS AND RECOMMENDATIONS

The study results show that the main problem in organizing accounting in small business entities does not lie in a shortage of regulatory documents. The problem is the weakness of the link between regulatory requirements, digital reporting, and the internal management needs of the enterprise. For this reason, accounting in many cases becomes not a business management tool, but a reporting submission process.

An open question remains: how deep should simplification go? If simplification merely reduces the number of reports, it helps the business. If it reduces the analysis of economic operations, it becomes costly in the long run. For this reason, small business accounting should be built not on the principle of "minimum documents" but on the principle of "sufficient and auditable information."

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