



Article

Improving the Accounting of Non-Financial Assets in Budgetary Organizations: An Analytical Approach

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Abstract: The accounting of non-financial assets in budgetary organizations represents a critical component of public financial management. Despite ongoing reforms, significant methodological and practical challenges remain. This study aims to analyze the current state of non-financial asset accounting in budgetary institutions and propose directions for its improvement. The research is based on qualitative analysis, regulatory frameworks, and comparative approaches. The findings reveal inconsistencies in asset valuation, insufficient control, and weak integration with international standards. The study argues for a systematic reform that combines regulatory improvement, digitalization, and methodological standardization.

Keywords: Non-financial assets, budgetary organizations, public sector accounting, asset valuation, financial reporting, IPSAS, accounting reform, public finance management

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1. Introduction

In modern public finance systems, the role of budgetary organizations is expanding. These institutions manage significant volumes of public resources, including non-financial assets such as buildings, infrastructure, equipment, and intangible assets.¹ At first glance, the accounting of such assets appears to be a technical issue. However, its implications are far broader.

Accurate accounting of non-financial assets directly affects:

- transparency of public finances
- efficiency of resource utilization
- reliability of financial reporting

In many transitional economies, including Uzbekistan, reforms have been initiated to modernize public sector accounting. However, these reforms often focus on financial flows rather than asset management.

¹ Non-financial assets are defined here as physical and intangible resources—such as buildings, infrastructure, equipment, and software—that do not generate direct financial returns but are essential to the operational functioning of budgetary organizations.

This creates a critical gap. Non-financial assets remain undervalued, poorly monitored, or inconsistently recorded. As a result, decision-making processes are based on incomplete information.

This study aims to address this gap by analyzing existing practices and proposing an improved accounting framework.

2. Methodology

This study applies a qualitative-analytical and comparative approach to evaluate non-financial asset accounting in budgetary organizations. The methodology is based on the analysis of regulatory documents, international standards (IPSAS),² and existing scientific literature.

The research is conducted in a logical sequence. First, the national regulatory framework is analyzed to identify inconsistencies and gaps. Second, a comparative analysis with international standards is carried out, focusing on asset recognition, valuation, and reporting principles. Third, based on this analysis, key problem areas such as valuation inaccuracies, weak control systems, and lack of digitalization are identified. Finally, a conceptual improvement framework is proposed.

The methodological structure is summarized below:

Stage	Method	Purpose	Limitation
Regulatory analysis	Normative review	Identify gaps and inconsistencies	May not reflect real practice
Comparative analysis	IPSAS comparison	Determine differences	Limited local applicability
Problem identification	Logical analysis	Define key issues	No direct empirical data
Model development	Conceptual approach	Propose improvements	Not operational

The chosen approach allows for a systematic and critical analysis of the problem. At the same time, the absence of empirical data and reliance on secondary sources remain key limitations.

3. Results

The analysis reveals that non-financial asset accounting in budgetary organizations is characterized by several interconnected systemic weaknesses rather than isolated technical errors. The most evident issue concerns asset valuation. In practice, the majority of organizations rely on historical cost accounting.³ While this method simplifies record-keeping, it fails to reflect the real economic value of assets over time. As a result, financial reports do not provide an accurate picture of asset conditions, which in turn affects decision-making and resource allocation.

Another critical problem is the weakness of control mechanisms. Asset inventories are often incomplete, outdated, or formally maintained without regular verification. This reduces accountability and creates conditions for inefficient use or even loss of assets. The issue is not merely technical but institutional, as control procedures are either insufficiently enforced or lack methodological clarity.

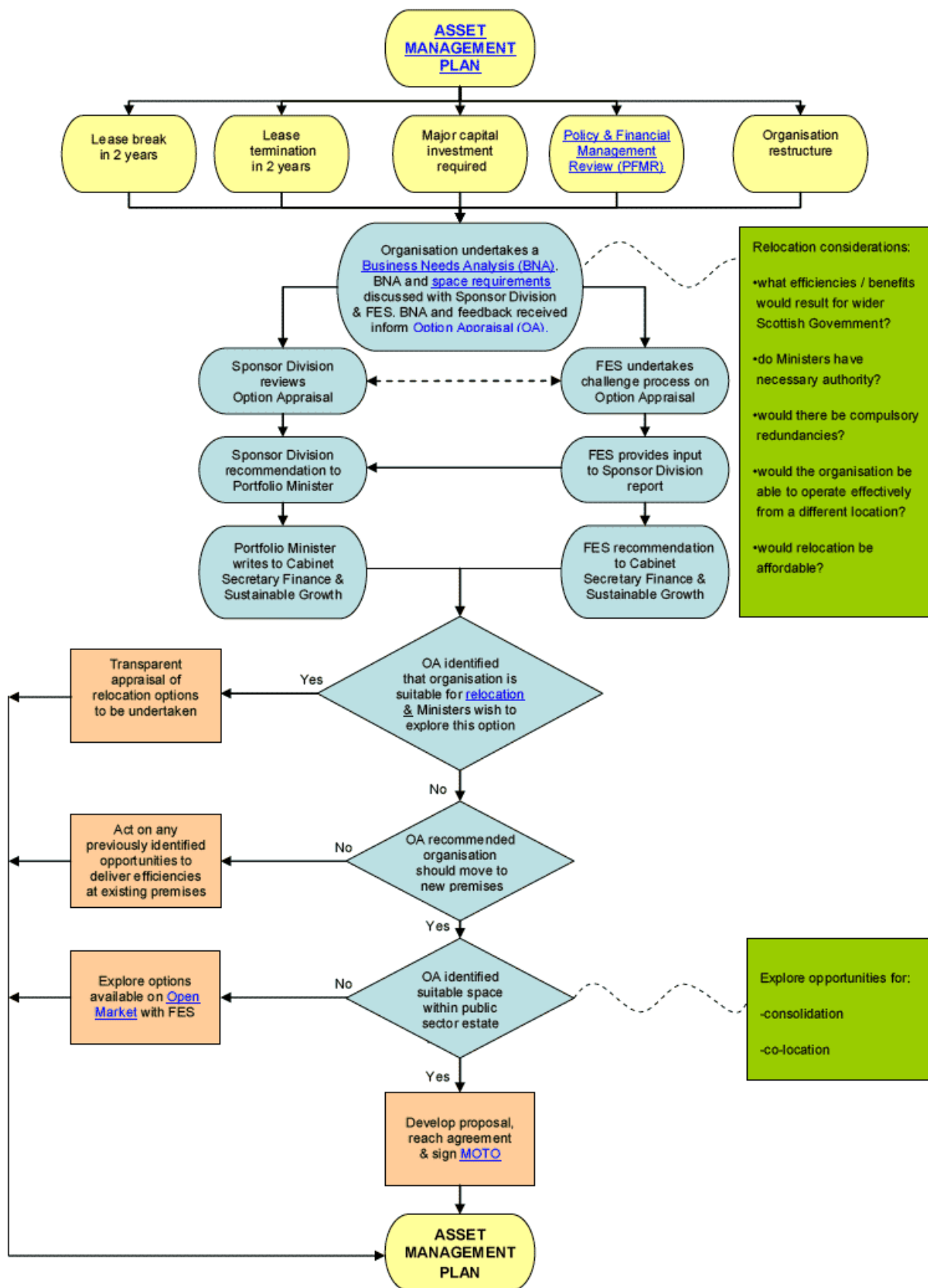
In addition, the level of digital integration remains low. Many budgetary organizations continue to rely on manual or semi-manual accounting systems. This significantly limits data accuracy, increases the likelihood of errors, and slows down reporting processes. The absence of integrated digital platforms also prevents real-time monitoring of asset movement and condition.

Taken together, these problems indicate that the current accounting system does not function as a coherent mechanism. Instead, it represents a fragmented structure where valuation, control, and information processing are weakly connected.

Figure 1: Non-Financial Asset Accounting System

² The comparative analysis relies primarily on the International Public Sector Accounting Standards (IPSAS), which provide an internationally recognized benchmark for asset recognition, valuation, and disclosure in the public sector.

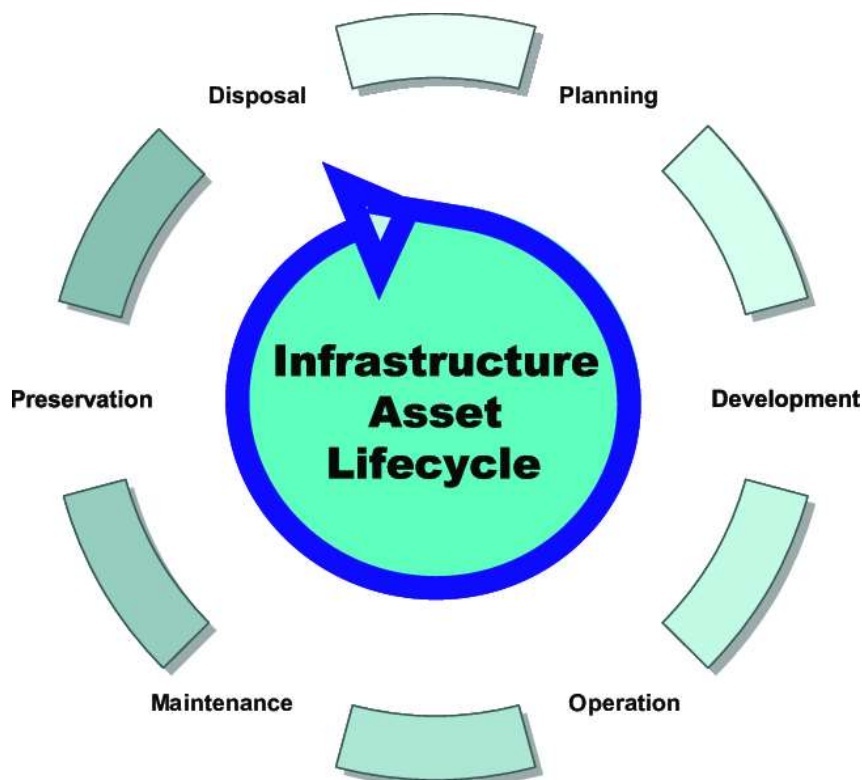
³ Historical cost accounting records assets at their original acquisition value without subsequent adjustment for inflation or market changes, which over time can substantially understate their real economic value.



Classification of non-financial assets



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4. Discussion

The results of the study reveal a clear and somewhat paradoxical situation. On the one hand, ongoing reforms in public sector accounting are aimed at increasing transparency, accountability, and efficiency. On the other hand, actual accounting practices in budgetary organizations remain largely outdated and inconsistent. This gap between declared reform objectives and real implementation appears to be one of the central problems.

First, **methodological inconsistency** persists in asset accounting practices. Different valuation approaches, particularly historical cost and partial revaluation methods, are often applied simultaneously without a unified framework. This leads to incomparable data and reduces the reliability of financial reporting. At this point, it becomes unclear whether the problem lies in the absence of standards or in their inconsistent application.

Second, **institutional limitations** significantly constrain reform implementation. Many organizations lack adequately trained personnel capable of applying modern accounting techniques. In addition, the low level of digitalization further complicates asset management and reporting processes. Even when regulatory improvements are introduced, institutional capacity often remains insufficient to support them.⁴

Third, **regulatory gaps** continue to hinder system modernization. Although efforts have been made to align national standards with international frameworks such as IPSAS, this alignment remains incomplete. Certain areas, particularly asset valuation and disclosure requirements, still lack clarity. This creates uncertainty in practice and allows for multiple interpretations.

Taken together, these issues indicate that the problem is not limited to individual deficiencies. Rather, it reflects a systemic imbalance between methodology, institutional capacity, and regulatory support. Addressing only one of these elements is unlikely to produce meaningful improvements.

Table 2: Proposed Improvements

Problem Area	Proposed Solution	Expected Impact	Limitation
Valuation inconsistency	Introduce unified valuation standards (fair value elements)	More accurate asset representation	Requires professional expertise
Weak control systems	Implement regular digital inventory and monitoring	Increased accountability	High implementation cost
Low digitalization	Develop integrated accounting information systems	Reduced errors and faster reporting	Technical infrastructure needed
Institutional gaps	Training and capacity-building programs	Improved implementation quality	Time-consuming process
Regulatory inconsistency	Gradual alignment with IPSAS	Greater transparency and comparability	Requires legal adaptation

Short Analytical Note

While these improvements appear logically sound, their practical implementation may face resistance. Financial constraints, institutional inertia, and lack of technical capacity can slow down reforms. Therefore, the success of these measures depends not only on their design but also on the broader administrative environment.

5. Conclusion

The study demonstrates that the accounting of non-financial assets in budgetary organizations remains structurally incomplete despite ongoing reforms. The identified problems—valuation inconsistencies, weak control mechanisms, and insufficient digital integration—are not isolated issues but interconnected elements of a broader systemic imbalance.

At the same time, the analysis shows that improving accounting practices cannot be reduced to technical adjustments alone. Methodological standardization, institutional capacity building, and regulatory alignment must be addressed simultaneously. Focusing on only one aspect is unlikely to produce sustainable results.

The proposed improvements, including the introduction of unified valuation approaches, digital inventory systems, and gradual alignment with international standards, provide a coherent direction for reform. However, their implementation requires significant organizational effort, financial resources, and professional training.

In this context, the key challenge lies not in the absence of regulatory frameworks, but in their practical application. Without effective institutional support and technological modernization, even well-designed reforms risk remaining formal.

⁴ Institutional capacity refers to the combination of qualified personnel, organizational procedures, and technological infrastructure required to implement and sustain accounting reforms effectively.

