

## **Improving Investment Property Accounting in Uzbekistan: Problems and Prospects for Adaptation to International Standards**

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**Abstract:** The article examines the features of investment real estate accounting in Uzbekistan and the impact of the transition to international financial reporting standards, in particular IAS 40 "Investment Real Estate". The current problems of the national accounting system, such as the use of historical value and insufficient transparency of reporting for foreign investors, are analyzed. updating national standards, improving the skills of accountants, developing practical recommendations and modernizing accounting systems. The implementation of the proposed measures is aimed at increasing the investment attractiveness of Uzbekistan and ensuring sustainable economic growth.

**Keywords:** Investment Property Accounting, Uzbekistan, IFRS, IAS 40, National Accounting Standards, Financial Statements, International Standards, Investment Attraction, Accounting Automation.

**Introduction.** Investment real estate is an important component of the economy of any country, as it contributes to long-term investment, attraction of foreign investments and increasing the stability of the financial market. In the context of economic integration of Uzbekistan in the international arena, the issues of accounting for investment assets and their reporting are becoming more and more relevant. International Financial Reporting Standards (IFRS), in particular IAS 40 "Investment Property".

Today, the national accounting system in Uzbekistan faces a number of challenges that impede its full integration with the world economy. This includes differences in approaches to valuation and recognition of assets, reporting standards, as well as a lack of flexibility in methodological principles. The introduction of IFRS and harmonization with international accounting practices contribute to the creation of transparent, understandable and comparable financial statements, which plays a key role in attracting investors.

However, the transition to international standards requires serious transformations: changes in legislation, training of personnel and adaptation of accounting systems. This article is devoted to the study of current problems of accounting for investment real estate in Uzbekistan, the analysis of international experience and the development of recommendations for improving national standards to increase the investment attractiveness of the country.

### **Analysis of the current investment property accounting system in Uzbekistan**

In Uzbekistan, investment property is accounted for on the basis of National Accounting Standards (NAS). The main document regulating accounting in the country is the Law of the Republic of Uzbekistan "On Accounting" No ZRU-404, which defines the rules for keeping records of financial transactions of business entities. This law, adopted in 1996 and updated in 2016, adapts to international standards, which is especially relevant for investment property accounting. However, full compliance with International Financial Reporting Standards (IFRS) has not yet been achieved.

Although there are basic standards, there is no separate national standard specifically devoted to the accounting of investment property. Therefore, in practice, difficulties often arise related to the accounting of such assets, including the issues of valuation, reflection of income and accounting for the value of assets. It is important to note that NAS, like IFRS, strives to generate reliable and complete financial information for users, but differences in the details of the methodology lead to discrepancies and difficulties when comparing the reporting of Uzbek companies with international ones.

**Table 1. Comparison of NAS and IFRS on key aspects of accounting for investment assets**

<b>Key aspect</b>	<b>NAS</b>	<b>IAS 40</b>
Definition of Investment Property	There is no specific term; Assets are accounted for as fixed assets	Clearly defines: assets intended to generate rental income or capital appreciation
Valuation method	Based on historical cost	Two methods: at fair value or at historical cost with depreciation
Recognition of rental income	As income from the main activity	It is recognized as income from investment activities, which is subject to disclosure in the financial statements
Changes in the value of assets	Not regularly reviewed	It is possible to revise the value at the reporting date if the fair value method is used
Reporting	National reporting forms are used	International forms that meet the requirements of IAS 40 are used
Accounting for reconstruction costs	They are capitalized if they improve the asset	Capitalized or written off, depends on the increase in the value of the asset

Based on the table, it can be seen that there are significant differences between NAS and IFRS in approaches to accounting for investment property. NAS focuses on the application of historical value and provides limited opportunities for regular revaluation, unlike IFRS, where companies can use the fair value method, which allows for more flexibility to reflect the current market value of an asset. This approach increases the transparency and relevance of data for potential investors, which is especially important in the global economy.

There are also differences in approaches to accounting for rental income. NAS includes rental income in the company's total income, which makes it difficult to distinguish the results of investment activities, while IFRS separately accounts for such income, disclosing them in the statements. This allows investors and analysts to better understand the return on the company's assets and predict financial flows.

**The main problems in the practice of accounting: standards of asset valuation, reflection of income and expenses**

In practice, Uzbek companies face a number of difficulties in accounting for investment property, due to the lack of detailed regulations, as well as limited flexibility in the choice of asset valuation methods. The main problems include:

1. **Valuation of assets at historical cost.** The use of the historical value method does not allow timely reflection of changes in market value, which reduces the accuracy of information for external users of reporting, including investors.
2. **Recognition of rental income and capital gains.** Income from investment activities, such as rent and capital gains, are not always segregated, which makes it difficult for analysts to assess the performance of a company's investments.
3. **Reconstruction costs.** National standards do not regulate in sufficient detail the accounting of expenses associated with the reconstruction and improvement of assets, which leads to discrepancies in interpretation and complicates the comparison of reporting.

These problems highlight the need to revise AS in line with international standards and to develop a separate standard for investment property accounting.

### **Experience of international standards in the field of investment property accounting**

International Financial Reporting Standards (IFRS), in particular IAS 40 Investment Property, provide a unified approach to accounting for assets intended to generate rental income or increase capital value. This standard was developed with the aim of establishing uniform accounting rules and practices to ensure the transparency and comparability of financial information across countries. The application of IAS 40 provides companies with the opportunity to choose between two approaches to valuing investment property: at fair value or at historical cost with depreciation, which is one of the most important differences between international standards and national accounting systems in countries that have not implemented IFRS.

In advanced economies such as the United Kingdom, New Zealand and Australia, the IAS 40 is fully enforced, helping to attract foreign investors interested in transparency in reporting. The adoption of fair value for the valuation of investment property allows companies to demonstrate up-to-date data on the value of assets at each reporting date. This is especially important in volatile markets, where the current market value can differ significantly from the historical one. Such flexibility increases the confidence of investors and creditors, since the value of assets at which they are reflected in the statements becomes the most relevant for the valuation of the company.

The experience of applying IAS 40 has also shown the importance of this standard in facilitating the international integration of accounting and increasing the economic attractiveness of companies in global markets. In the UK, for example, IAS and IFRS standards are actively used not only for listed companies, but also for unlisted organizations, which greatly facilitates access to capital. Unlike historical value, fair value involves regular measurements, which requires the involvement of independent appraisers and leads to additional costs, but the result is worth the effort, as it helps to create a more accurate picture of the fair value of assets.

In emerging economies such as Sri Lanka, the implementation of IAS 40 has been a step towards strengthening national accounting practices and enabling international cooperation. The implementation of this standard has allowed domestic companies to adapt to the requirements of global capital markets, making their reporting more understandable to foreign investors. Sri Lanka has also adopted the local SLAS 40 standard, similar to IAS 40, which has allowed the company to value investment properties based on market value and apply more flexible asset management methods.

In addition, the use of IAS 40 enhances the ability to account for the costs associated with maintaining or improving investment property. Unlike many national accounting systems, where such expenses can be attributed to current expenses, IAS 40 allows them to be capitalized if they contribute to an increase in the value of the asset. This has a positive effect on the financial results of companies, allowing them to generate reports that more accurately reflect their financial position and the effectiveness of investment property management.

International experience in the application of IAS 40 demonstrates that the introduction of a unified approach to investment property accounting contributes to increasing the transparency and competitiveness of companies. This contributes to the growth of investor confidence, makes markets more accessible to participants and creates a more favorable environment for economic development, which is especially important for countries seeking to integrate with the global economy, such as Uzbekistan.

### **Impact of IFRS implementation on investment property accounting in Uzbekistan**

The implementation of IFRS, including IAS 40 Investment Property, can play an important role in improving the accounting and financial reporting of Uzbek companies, increasing their transparency and compliance with the requirements of international investors. Moving to fair value standards will provide a more accurate picture of the value of investment property, especially in the face of market

fluctuations. This is an important factor for attracting foreign capital, since investors are able to better assess the real assets and financial condition of enterprises.

The main advantage of implementing IAS 40 is the ability to choose between valuation methods – historical or fair value, which provides companies in Uzbekistan with flexibility in asset management and reporting. When using fair value, the financial statements regularly reflect current market changes, which reduces risk and increases the confidence of potential investors. This approach creates conditions for full disclosure of information, which not only improves financial transparency, but also facilitates the process of obtaining financing, as reporting becomes understandable and acceptable for international banks and funds.

However, adapting to IAS 40 also presents a number of challenges that require a comprehensive approach. First of all, it is necessary to make large-scale changes in national legislation and revise accounting regulations to provide a legal basis for accounting according to international standards. In addition, the transition to IFRS requires qualified specialists who are able to apply the standards in practice. Uzbekistan faces a shortage of personnel trained to work according to international standards, and systematic measures are needed to address this problem, including educational reforms and certification of professionals. The training of qualified personnel also involves the development of training programs in the field of accounting focused on IFRS, which will allow future specialists to successfully implement and apply these standards in practice.

The implementation of IAS 40 will entail significant financial costs for employee training, modernization of accounting systems and software updates, which may cause temporary difficulties for some enterprises, especially small and medium-sized businesses. However, despite the high start-up costs, the long-term benefits of implementing IAS 40 include not only improved quality and reliability of reporting, but also improved international image of Uzbek companies. The introduction of the standard contributes to a more accurate reflection of investment activity in the country's economy, providing foreign investors with confidence that their investments will be supported by reliable financial information.

The introduction of IAS 40 and other IFRS standards in investment property accounting has the potential to significantly increase the competitiveness and sustainability of business in Uzbekistan. The creation of a common standard of financial reporting, understandable and accessible to the international community, will open up opportunities for more active attraction of foreign investment and strengthening economic cooperation.

### **Recommendations for improving investment property accounting in Uzbekistan**

**Updating national standards to take into account IAS 40.** Successful adaptation of investment property accounting in Uzbekistan requires the revision and modernization of National Accounting Standards (NAS) in accordance with the requirements of IAS 40. The updated standards should take into account the specifics of fair value, the possibility of capitalizing reconstruction and repair costs, as well as a clear distinction between rental income and capital gains. The implementation of these provisions will help to create a more accurate reflection of the financial condition of companies and increase investor confidence. Legislative reforms accompanying the updating of standards should support the changes and promote the flexibility of accounting in accordance with international requirements.

**Training and advanced training of accountants according to international standards.** The transition to international standards requires highly qualified specialists who are able to implement IAS 40 and other IFRS standards in practice. To do this, it is important to organize systematic training and certification of accountants and auditors in accordance with international standards, which will avoid errors and ensure that accounting practices comply with international requirements. Partnerships with international professional associations can accelerate the development of human resources, as well as allow the development of specialized courses and programs aimed at in-depth study of IFRS and skills in their application.

**Development of practical recommendations and consultations for business.** To facilitate the implementation of IAS 40, businesses need detailed practical guidance that explains the application of the standards with specific examples. The creation of consultation centers or online platforms where companies can receive advice on the application of international standards will provide significant support to small and medium-sized enterprises. These resources will help businesses understand how to properly value assets, record rental income and prepare IFRS-compliant financial statements, while minimizing costs and errors.

**Implementation of automation programs and modernization of accounting systems.** The transition to IFRS, especially when accounting for investment property at fair value, requires process automation and software modernization. Accounting systems should be updated to handle IAS 40 data correctly, including regular revaluation of assets, depreciation calculations and automatic updating of financial statements. Automating routine operations reduces the likelihood of errors and improves accounting efficiency, allowing companies to devote more time to strategic asset management. The introduction of modern accounting systems also simplifies audit processes and increases transparency.

**Conclusion.** Uzbekistan's transition to accounting for investment property in accordance with international standards, especially in accordance with the requirements of IAS 40, represents an important step towards integrating the country into the global economy and attracting foreign investment. The introduction of international standards will allow Uzbek companies to provide more accurate and transparent financial statements that meet the expectations of investors, lenders and international partners. legislative reforms, training of personnel and modernization of accounting systems, the advantages of the implementation of IFRS are significant and can significantly increase the competitiveness of Uzbek companies in world markets.

The implementation of the proposed recommendations – from updating national standards to introducing automation programs and developing educational initiatives – will create a solid foundation for improving accounting in Uzbekistan. In the long term, this will lead to better investment management, increased efficiency of business processes and increased confidence of international partners in the Uzbek economy. Thus, integration with world accounting standards is becoming a strategically important step aimed at sustainable economic development and increasing the investment attractiveness of the country.

#### **Literature:**

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