

# Improving The Accounting Of Securities And Problems Of Their Recognition In Liabilities

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**Abstract:** Securities are vital components of modern financial markets, serving as tools for capital raising and investment opportunities. This article examines the classification of securities—stocks, bonds, and derivatives—and analyzes their recognition as liabilities in Uzbekistan’s financial system. Despite significant growth in the securities market, particularly through the Tashkent Republican Stock Exchange, the current accounting procedures do not fully align with International Financial Reporting Standards (IFRS), impacting transparency and investor confidence. The study employs analytical, statistical, and normative-legal comparative methods to identify gaps in local practices and propose improvements. Key findings highlight the underdeveloped derivatives market and inconsistencies in accounting standards. Recommendations include adopting IFRS, implementing modern accounting software, training specialists, establishing clear regulations, and enhancing corporate reporting transparency to strengthen Uzbekistan’s financial market and attract foreign investment.

**Keywords:** - securities, financial market, liabilities, stocks, bonds, derivatives, IFRS (International Financial Reporting Standards), accounting, transparency.

## Introduction:

Securities are one of the key components of modern financial markets, playing a significant role in fostering economic relations. They serve as tools for raising capital for enterprises, banks, and government institutions while providing investors with opportunities to generate income. In recent years, Uzbekistan has taken notable steps toward developing its financial market and aligning with international standards. However, the classification of securities and their recognition as liabilities still require improvement. This article aims to define the classification of securities, analyze their recognition process in financial liabilities, and propose practical recommendations for Uzbekistan’s financial market.

The development of Uzbekistan’s financial market is a critical part of the country’s strategy to diversify its economy and support the private sector. According to the “Financial Market Development Strategy for 2020–2025” approved by the President of Uzbekistan, increasing the volume of the securities market and strengthening investor confidence are among the priority tasks. However, the procedure for recognizing securities as liabilities does not fully comply with

International Financial Reporting Standards (IFRS), which undermines transparency and the reliability of financial reporting.

Securities, including stocks, bonds, and derivatives, have distinct characteristics, and their reflection in financial statements is crucial for assessing an organization’s financial stability. While stocks and bonds are widely used in Uzbekistan, the derivatives market remains in its early stages of development. The lack of clear standards for recognizing these securities as liabilities, coupled with insufficient alignment of local legislation with international practices, creates challenges for investors and financial institutions. This limits the market’s expansion and its ability to attract foreign investment.

The primary objective of this study is to identify the types of securities, examine the current procedure for their recognition as liabilities, and propose ways to improve it for Uzbekistan’s financial market. The research addresses the following questions:

What types of securities exist, and what is their role in financial liabilities?

How is the recognition of securities as liabilities carried

out in Uzbekistan?  
How can this procedure be improved based on international experience?  
The relevance of this article stems from the need to adapt Uzbekistan’s financial market to global standards. Compliance with IFRS not only enhances the transparency of local organizations but also increases

their attractiveness to foreign investors. To highlight the practical aspects of the topic, statistical data, tables, and charts are used. For instance, Table 1 below presents the growth dynamics of Uzbekistan’s securities market:  
Growth Dynamics of Uzbekistan’s Securities Market (2020–2024)

Table 1

Year	Market Volume (billion UZS)	Growth (%)
2020	578.15	-
2021	1,260.51	118
2022	4,816.21	282.1
2023	2,712.75	-43.7
2024	21,950	709.1

The data in Table 1 indicates that Uzbekistan’s securities market has shown a growth trend. The total volume of transactions conducted through the Tashkent Republican Stock Exchange in 2024 was approximately 37 times higher than in 2020. This growth was primarily driven by stock trading.

Methodology

The research employs several methods, classified as follows: analytical method, statistical analysis, and normative-legal comparative analysis. Each method was selected to address different aspects of the topic and tailored to the characteristics of Uzbekistan’s financial infrastructure.

Analytical Method: The main types of securities—stocks (ordinary and preferred), bonds (government, corporate, bank), and derivatives (futures, options, swaps)—are analyzed. Their characteristics, role in financial liabilities, and application in Uzbekistan are examined. For example, stocks are considered tools for raising capital, while bonds are treated as debt obligations. This method serves as the primary tool for classifying securities.

Statistical Analysis: Numerical data from Uzbekistan’s stock market and international financial markets are analyzed. This method is used to identify growth trends, market volumes, and the share of securities in liabilities. Tables and charts are prepared to visualize the data, enabling readers to better understand the dynamics.

Normative-Legal Comparative Analysis: Uzbekistan’s legislation related to securities (e.g., the Law “On the Securities Market”) and IFRS (e.g., IFRS 9 – Financial Instruments) are studied. This method evaluates the alignment of local procedures with international practices and identifies specific gaps for improvement.  
Discussion and Results

Based on the methodologies outlined, the main types of securities are classified as follows:

Stocks:

Ordinary Stocks: Issued by companies to raise capital, granting voting rights but no guaranteed dividends.

Preferred Stocks: Guarantee dividends but may have limited voting rights.

In Uzbekistan, stocks are primarily issued during privatization or traded on the stock exchange. In 2024, the stock turnover on Uzbekistan’s stock exchange amounted to approximately 19.18 trillion UZS, while the corporate bond market recorded a trading volume of 381 billion UZS.

Bonds:

Government Bonds: Issued by the Government of Uzbekistan to finance infrastructure projects.

Corporate Bonds: Issued by private companies, such as banks or large enterprises.

Bank Bonds: Used by financial institutions to ensure liquidity.

Derivatives: Financial instruments such as futures, options, and swaps. In Uzbekistan, the derivatives market is in its early stages, accounting for less than 10% of the market.

The procedure for recognizing securities as liabilities in Uzbekistan is governed by the Law “On Accounting” and local accounting standards. The study revealed the following regarding the accounting of securities:

Current Situation:

Bonds are recorded as debt obligations on the balance sheet, including interest expenses.

Stocks are typically recorded as capital, but dividends on preferred stocks may be treated as liabilities.

There are no specific accounting standards for derivatives, leading to ambiguity in their recognition.

Issues:

Local standards do not fully comply with IFRS 9 (Financial Instruments), particularly in fair value measurement and risk management. Lack of transparency in reporting negatively affects investor confidence.

The absence of clear rules for derivatives results in their minimal recognition in accounting. Differences in Recognizing Securities as Liabilities in Uzbekistan Standards and IFRS

Table 2

Criteria	Uzbekistan Standards	IFRS 9 Requirements
Valuation Method	Nominal Value	Fair Value
Derivatives	Not Recognized	Recognized with Risk Management
Transparency	Low	High
International Alignment	Limited	Fully Aligned

The data in Table 2 highlights that ambiguities in recognizing securities as liabilities lead to the following consequences:

Investor Distrust: Lack of transparency complicates attracting foreign investors.

Risks for Financial Institutions: Incorrect valuation of derivatives and complex financial instruments threatens financial stability.

Slow Market Development: Non-compliance with international standards isolates Uzbekistan's market from the global financial system.

## CONCLUSION

The research findings indicate that while securities in Uzbekistan (stocks, bonds, derivatives) can be clearly classified, the procedure for their recognition as liabilities does not meet modern requirements. Although there is some order for bonds and stocks, the derivatives market and accounting standards require significant improvement.

To enhance the accounting of securities in Uzbekistan, the following five recommendations are proposed:

Full Transition to IFRS: Aligning securities accounting with international financial reporting standards will boost investor confidence and ensure transparency in reporting.

Introduction of Specialized Information Systems and Software:

Using modern automated software for securities accounting will reduce errors and increase efficiency.

Training Qualified Accountants and Auditors: Developing training programs and certification systems for accountants and auditors specializing in securities is essential.

Clear and Unified Regulatory Frameworks: Developing clear and unified normative documents for securities accounting, with regular updates, is crucial.

Broader Disclosure of Securities Information in Corporate Reports:

Companies should provide detailed and transparent information about securities in their financial statements to enhance accountability and analytical capabilities.

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