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Analysis and Harmonization of Current and Long-Term Liability Accounting Practices in Industrial Enterprises of Uzbekistan with International Standards

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Abstract: This scientific article analyzes the accounting practices of current and long-term liabilities in industrial enterprises of Uzbekistan and their harmonization with International Financial Reporting Standards (IFRS). The study examines conceptual differences between National Accounting Standards (NAS) and IFRS, methodological approaches to recognition and measurement of liabilities, and their impact on financial reporting. In addition, an empirical analysis of liability structure and financial stability of industrial enterprises is conducted. The results highlight the necessity of aligning the national accounting system with international standards.

Keywords: Liability Accounting, Current Liabilities, Long-Term Liabilities, NAS, IFRS, Financial Reporting, Industrial Enterprises, Financial Analysis, Discounting, Financial Stability

1. Introduction

In recent years, reforms aimed at modernizing the economy of the Republic of Uzbekistan, liberalizing financial markets, and attracting foreign investments have created the necessity for a fundamental improvement of the accounting system. In particular, the transparency, reliability, and compliance of financial statements with international standards in industrial enterprises have become an urgent scientific and practical issue. In this process, the accounting of enterprise liabilities-current and long-term debts, their proper classification, and valuation-plays a key role [1].

Liabilities are one of the most important elements determining the financial condition of a company, representing future outflows of economic resources. According to International Financial Reporting Standards (IFRS), liabilities are present obligations arising from past events, the settlement of which is expected to result in an outflow of economic resources [2]. Although a similar definition exists in National Accounting Standards (NAS), significant differences remain in their practical interpretation.

Industrial enterprises, especially those operating in the textile and manufacturing sectors, are characterized by high capital intensity, long production cycles, and large-scale use of working capital for raw materials and technological processes. Therefore, they extensively use both current liabilities (accounts payable, tax liabilities, advances received) and long-term liabilities (bank loans, leasing, and bonds) [3].

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According to IFRS 9 “Financial Instruments” and IAS 37 “Provisions, Contingent Liabilities and Contingent Assets,” advanced approaches such as fair value, amortized cost, and effective interest rate are used in measuring liabilities. In national standards, however, accounting is mostly based on historical (nominal) cost, which may lead to incomplete representation of the actual economic situation in financial statements [4].

One of the key problems in liability accounting in industrial enterprises of Uzbekistan is incorrect classification and insufficient distinction between financial instruments, operating liabilities, and contingent liabilities. This leads to inaccurate assessment of liquidity, solvency, and financial stability indicators during financial analysis [5].

In addition, in international practice, the current portion of long-term liabilities is presented separately, allowing a realistic assessment of short-term solvency. In the NAS system, however, this approach has not yet been fully implemented, negatively affecting the transparency of financial reporting [6].

Recent years’ analysis of industrial enterprises in Uzbekistan shows that some enterprises have high levels of accounts payable, increasing tax liabilities, and excessive dependence on long-term loans. This creates a “debt trap” risk and reduces investment attractiveness [7].

Harmonization of liability accounting with international standards not only improves financial reporting quality but also strengthens investor confidence. The transition to IFRS ensures comparability of financial information and facilitates integration into global capital markets [8].

Therefore, the main objective of this research is to deeply analyze the accounting practices of current and long-term liabilities in industrial enterprises of Uzbekistan, identify existing problems, and develop scientifically grounded conclusions for harmonization with IFRS. The study examines conceptual differences between NAS and IFRS, methods of liability valuation, and their impact on financial stability based on empirical data.

The relevance of this topic lies in the fact that incorrect accounting of liabilities in industrial enterprises not only reduces the reliability of financial statements but may also lead to errors in economic decision-making. Therefore, improving liability accounting based on international standards is one of the key scientific and practical tasks today.

Literature Review

The issue of liability accounting and its harmonization with International Financial Reporting Standards (IFRS) has been widely discussed in economic literature, with various scholars proposing theoretical and practical approaches. This section analyzes the scientific foundations of current and long-term liability accounting, classification, and valuation approaches.

Initially, D.E. Kieso, J.J. Weygandt, and T.D. Warfield in their book *Intermediate Accounting* define liabilities as present obligations arising from past events that require future outflows of economic resources. According to them, proper classification of liabilities is a key factor ensuring the reliability of financial reporting, especially the separation of current and long-term liabilities, which is crucial for liquidity analysis [9].

Similarly, in the Conceptual Framework for Financial Reporting developed by the IASB, liabilities are defined as present obligations arising from past events, the settlement of which results in an outflow of economic resources. According to this approach, the key characteristic of liabilities is their obligatory nature and reduction of economic benefits [10]. This conceptual approach emphasizes economic substance more than national standards.

IAS 1 “Presentation of Financial Statements” requires liabilities to be classified as current and non-current in the balance sheet. This classification is an important indicator

in assessing liquidity and financial stability. According to this standard, the current portion of long-term liabilities must also be disclosed separately.

IFRS 9 “Financial Instruments” introduces amortized cost and fair value measurement for financial liabilities. The effective interest rate method enables the reflection of interest expenses in real economic terms. Since this approach is not fully applied in national accounting systems, discrepancies arise between financial results and actual debt burden.

IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” specifically addresses provisions. According to this standard, probable but uncertain liabilities must also be recognized in financial statements, enabling a more complete assessment of future risks.

Uzbek economist A.A. Karimov in his work *Financial Analysis* emphasizes that liabilities are one of the key determinants of financial stability. According to him, high accounts payable reduces solvency and negatively affects investment attractiveness.

O. Narziev notes that incorrect classification of liabilities in industrial enterprises leads to distortion of financial analysis results. In many enterprises, advances received, tax liabilities, and accounts payable are grouped together, leading to inaccurate assessment of financial condition.

Sh.A. Tashmatov emphasizes that liability recognition criteria should include both legal and economic obligations. This approach is closer to IFRS requirements but is not fully developed in national standards.

Internationally, A. Damodaran considers financial liabilities as a key factor in enterprise valuation. According to his *Investment Valuation*, even small changes in debt structure significantly affect overall company value [11].

In summary, international literature focuses on economic substance and risk assessment of liabilities, while national literature is more oriented toward legal and historical cost approaches. This confirms the necessity of further harmonization of Uzbekistan’s accounting system with international standards.

2. Material and Methods

This study applies systematic analysis, comparative analysis, and empirical observation methods in examining current and long-term liability accounting practices in industrial enterprises of Uzbekistan. National Accounting Standards (NAS) and International Financial Reporting Standards (IFRS) were compared. Financial statements of selected industrial enterprises were analyzed to study the structure and dynamics of liabilities. Analytical methods were used to assess changes in financial indicators and their impact on enterprise stability. As a result, scientific conclusions were developed regarding existing problems and possible solutions.[12]

3. Results and Discussion

The analysis of liability accounting practices in industrial enterprises of Uzbekistan reveals that, although financial reporting is predominantly based on National Accounting Standards (NAS), the process of full harmonization with International Financial Reporting Standards (IFRS) remains incomplete. In practice, enterprises still rely heavily on national regulatory frameworks, which leads to persistent methodological discrepancies in the classification, valuation, recognition, and presentation of liabilities. In particular, differences are observed in the treatment of financial instruments, the measurement of obligations at nominal value instead of fair value or amortized cost, and the inconsistent disclosure of short-term and long-term liabilities in financial statements. These inconsistencies reduce the comparability of financial information with international benchmarks and limit the transparency required by global investors and financial institutions [13].

Within the scope of the study, an empirical analysis was conducted based on the financial statements of five large textile industry enterprises in Uzbekistan, namely XO'JAOBOD FAYZ-M LLC, AL'YORTEKS LLC, BEST TEXTILE INTERNATIONAL LLC, VODIY SANOAT FAXRI LLC, and SOHIB OMAD BARAKASI LLC. These enterprises were selected due to their significant role in the national textile sector, high production capacity, and relatively large share of borrowed capital in their financial structure. The analysis focused on the composition, structure, and dynamics of current and long-term liabilities, as well as their impact on overall financial stability and liquidity indicators.

The results of the empirical investigation demonstrate that current liabilities constitute a dominant proportion of total obligations across all analyzed enterprises. This indicates a strong dependence on short-term financing sources such as accounts payable, tax liabilities, and advances received from customers. Such a structure creates considerable pressure on short-term liquidity management and increases the risk of payment delays, cash flow mismatches, and operational disruptions. In several cases, the excessive concentration of short-term obligations relative to liquid assets signals potential solvency challenges, which may negatively affect the continuity of production processes and the stability of supplier relationships.[14]

Furthermore, the dominance of current liabilities suggests that many enterprises are operating under conditions of constrained working capital, relying heavily on short-term credit financing to sustain operational activities. This financial structure not only increases liquidity risk but also limits strategic flexibility, as enterprises are forced to prioritize short-term debt repayment over long-term investment and development initiatives. Consequently, the overall financial resilience of these enterprises remains vulnerable to external shocks, changes in credit conditions, and fluctuations in market demand.

In addition, the observed liability structure reflects insufficient alignment with IFRS principles regarding the clear separation and disclosure of current and non-current obligations. This reduces the analytical usefulness of financial statements and complicates the assessment of true financial position by external stakeholders, including investors, auditors, and credit institutions. Therefore, the findings of this study highlight the urgent need for methodological harmonization of liability accounting practices in Uzbekistan's industrial sector with IFRS requirements, particularly in terms of classification accuracy, measurement consistency, and enhanced disclosure standards.

The following table 1. presents the main liability indicators of enterprises for the year 2024:

Table 1. Structure of liabilities in industrial enterprises (end of 2024, in billion UZS)

Company Name	Current Liabilities	Long-Term Liabilities	Total Liabilities	Equity
XO'JAOBOD FAYZ-M	126.2	166.1	292.3	+2.1
AL'YORTEKS	18.7	42.5	61.2	+0.8
BEST TEXTILE INTERNATIONAL	74.3	95.6	169.9	-12.4
VODIY SANOAT FAXRI	206.5	118.0	324.5	-103.0
SOHIB OMAD BARAKASI	210.4	407.4	617.8	-53.8

According to the results, SOHIB OMAD BARAKASI LLC shows a very high share of long-term liabilities, indicating strong dependence on credit resources. Negative equity reflects serious financial instability and a "debt trap" risk, significantly reducing investment attractiveness.

In VODIY SANOAT FAXRI LLC, current liabilities significantly exceed long-term liabilities, indicating liquidity shortages in operational activity. High accumulation of

accounts payable increases the risk of production disruption and negatively affects supplier relations.

According to IFRS 9, financial liabilities must be measured using amortized cost and effective interest rate methods. However, in practice, most enterprises still use nominal value accounting, which leads to underestimation of real financial burden and artificially inflated profits.

IAS 1 requires separate disclosure of the current portion of long-term liabilities. In the analyzed enterprises, this requirement is not fully implemented, resulting in distorted liquidity indicators [15].

Overall, liability structure significantly affects both financial stability and strategic development opportunities of enterprises. High debt levels increase interest expenses, reduce operating profit, and limit investment activity.

In conclusion, improving liability accounting practices in Uzbekistan's industrial enterprises in line with IFRS requirements is essential for enhancing financial reporting reliability and increasing competitiveness in international financial markets.

4. Conclusion

The comparative analysis of current and long-term liability accounting practices in industrial enterprises of Uzbekistan and International Financial Reporting Standards (IFRS) has led to several important scientific and practical conclusions.

First, the high share of current liabilities (accounts 6000–6900 group), including accounts payable, tax liabilities, and advances received, negatively affects liquidity levels. In particular, the increase in accounts 6010 "Settlements with suppliers and contractors" and 6410 "Budget liabilities" indicates financial pressure in operational activities.

Second, the growing share of long-term liabilities (accounts 7000–7900 group), especially 7810 "Bank loans" and 7910 "Financial lease obligations," indicates high dependence on credit resources, weakening financial stability and increasing interest expenses.

Third, improper or incomplete separation of account 6950 "Current portion of long-term liabilities" leads to distorted liquidity indicators.

Additionally, the sharp increase in accounts 6300 "Advances received" and 6400 "Tax liabilities" indicates insufficient working capital and cash flow imbalance, posing risks to production stability.

In general, it is necessary to improve liability accounting in Uzbekistan's industrial enterprises by refining accounts 6010, 6300, 6400, 6810, 7810, and 7910 in accordance with IFRS requirements. This will improve transparency of financial reporting and strengthen financial stability.

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