



Article

Enhancing the Analysis of Financial Statements in public sector of Uzbekistan

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Abstract: This article examines the theoretical and methodological foundations for improving the analysis of financial statements in budget organizations. It analyzes ways to enhance the efficiency of the public financial management system, ensure the transparency and reliability of reporting, and align financial reporting practices with International Public Sector Accounting Standards (IPSAS). The study identifies existing problems in the reporting system of budget organizations, including deficiencies in the completeness and timely submission of data, and develops scientifically grounded proposals for addressing them. In addition, the article considers the significance and forms of financial statement analysis and demonstrates, from a practical perspective, how such analysis supports the targeted use of funds, improves efficiency, strengthens financial control, and enhances managerial decision-making in budget organizations.

Keywords: budget accounting, budget accounting standards, accounting in budget organizations, financial reporting, fiscal year, analysis.

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1. Introduction

The rational use of public budget funds is a central priority in Uzbekistan's public sector. Current reforms aim to strengthen public financial control, improve internal audit systems in ministries and agencies responsible for administering budgetary resources, and ensure that public funds are used for their intended purposes and with maximum efficiency. Considerable attention is also being devoted to developing the financial system, digitizing information flows, and improving financial reporting. To promote efficient budget execution, legislation stipulates that first-level administrators may use appropriations from the republican budget of the Republic of Uzbekistan only within the 2026 fiscal year; unused funds may not be carried forward to the following fiscal year.

Budget organizations currently use the UzASBO platform (the Automated System for Accounting and Reporting by Budget Organizations in Uzbekistan), which has been integrated with the information system of the Ministry of Economy and Finance of the Republic of Uzbekistan. This integration enables financial transactions to be processed electronically. Economic digitalization can improve accuracy, transparency, and operational efficiency. The World Bank's Digital Adoption Index (DAI) measures the extent to which digital technologies are adopted across countries; higher scores indicate more advanced digital adoption. Empirical research has documented a positive association between digital adoption and economic growth. Brynjolfsson and McAfee argue that higher levels of digital adoption enhance productivity and innovation, thereby contributing to economic growth [1]. Azamat et al. [2] further demonstrate the critical role

of digital technology and public sector integration in sustaining national economic stability.

The procedure for preparing and submitting financial reports in budget organizations is regulated by the Budget Code of the Republic of Uzbekistan, the Law of the Republic of Uzbekistan "On Accounting," and Budget Accounting Standard No. 3, "Budget Reporting." Under these legislative and regulatory documents, financial statements are prepared, approved, and submitted in accordance with clearly defined forms, methods, and rules. Recent regulatory adjustments under Law No. ZRU-1105 [3] and Presidential Decree No. PF-100 [4] have further refined the governance framework. In budget organizations, financial statements are prepared annually and quarterly. Annual financial statements are prepared as of January 1 of the following reporting year, while quarterly financial statements are prepared as of April 1, July 1, and October 1 of the reporting year.

Financial statements prepared by budget organizations are a key instrument of public financial management and of ensuring the effective use of budget funds. They promote transparency, strengthen state control, support planning and forecasting, and facilitate the efficient use of resources. Through financial statements, organizations can analyze their activities, develop effective plans for the following year, and strengthen financial discipline. Therefore, the accurate and proper preparation of such reports, as well as the effectiveness of control and management based on them, is of great importance for ensuring the stability and transparency of the state budget.

The results of financial statement analysis should also be actively used in managerial decision-making; neglecting such analysis may reduce future efficiency. Through the analytical process, the economic efficiency of budget organizations is ensured and the degree of targeted use of budget funds increases. Unlike private organizations, budget organizations are not profit-oriented but are directed toward the provision of social services. Therefore, financial statement analysis makes it possible to assess whether budget funds are being spent in accordance with approved cost estimates and for their intended purposes. In addition, the analysis process enables the evaluation of efficiency and effectiveness. It demonstrates the extent to which each sum spent generates social benefit, thereby helping optimize expenditures and prevent the misuse of budget funds. Another important advantage of analysis is that it serves as a basis for management to make sound future decisions. For superior ministries and agencies, analytical conclusions drawn from previous reporting periods serve as key arguments in preparing budget requests. Financial statement analysis also contributes to financial discipline and transparency and plays a significant role in controlling the unjustified growth of receivables and payables.

The object of this study is the Nizami National Pedagogical University of Uzbekistan. The subject of the study is the accounting system, financial reporting, and financial statement analysis processes carried out within this higher education institution.

The purpose of this research is to investigate ways to improve the analysis of financial statements prepared in budget organizations.

The objectives of the study are as follows:

- to explain the concept and essence of financial statements prepared in budget organizations;
- to examine the foreign and domestic methodological foundations of financial statement analysis;
- to review the requirements of international standards, particularly IPSAS [5];
- to analyze the composition and quality of current financial statements in budget organizations;
- to identify shortcomings in assessing the efficiency of fund utilization;
- to propose a new system of indicators for evaluating the targeted and effective use of budget funds;

- to improve the mechanism for managerial decision-making based on analysis results.

2. Methodology

In their scholarly work, Hasanaj P. and Kuqi [6] B. express the following view on financial statement analysis: "Financial statement analysis is a method of comparing and evaluating specific components of the balance sheet, on the basis of which important decisions are made. Thus, financial analysis is the analysis of balance sheets for an enterprise's past, present, and future. Through analysis, the extent to which budget funds have been used rationally and economically is determined." This view is also relevant to the more accurate preparation of financial statements in budget organizations, since the analytical process always reflects whether accounting has been conducted correctly during a given period. An analysis of financial statements over the last five years fully reveals the movement of an organization's funds.

Russian scholars V. V. Kupina and M. V. Manichkina [7] state the following regarding financial reporting: "Improving financial reporting also includes ensuring the accuracy of financial information and fulfilling all requirements necessary for the reliability of this information. Compliance of financial statements with international standards not only improves the quality of information for the public sector, but also creates opportunities for global comparability among public institutions." These views are particularly significant today, when Uzbekistan's public sector is placing considerable emphasis on applying foreign experience in the preparation of financial statements. In particular, budget accounting standards have been aligned with IPSAS [5], thereby helping to ensure the completeness and high quality of information presented in financial statements.

In her research, D. Abdulilova [8] emphasizes the role of information in financial statements as follows: "Transparency and accuracy of data are among the key requirements for ensuring compliance with international financial reporting standards. In public sector organizations, low levels of transparency and, at times, insufficient or incomplete disclosure of information create problems. This negatively affects the quality and reliability of financial statements." This point is highly important, since the quality of financial statements indeed depends on the transparency and accuracy of the information they contain. Proper accounting and the timely recording of every financial transaction ensure that financial statements prepared at the end of a given period are complete, accurate, and transparent. This affects the quality of financial statements and enables users to obtain sufficient information from them. These aspects are especially emphasized in International Public Sector Accounting Standards (IPSAS) [5].

The IPSAS Conceptual Framework [9] identifies the qualitative characteristics required for conducting financial statement analysis. According to this framework, financial statements must possess the characteristics of comparability and understandability in order for analysis to be effective. Comparability is necessary because analysts must be able to compare indicators across different years or with those of other organizations using consistent methods. Understandability requires that information be presented clearly enough for analysts to use it in making economic decisions. As noted by Chan [10] and Christiaens et al. [11], the transition of public entities toward accrual-based IPSAS is pivotal for enhancing overall institutional accountability and governance.

This study applies horizontal analysis to the institution's financial statements. Changes between 2021 and 2025 are examined in absolute terms, expressed in Uzbek soums, and in relative terms, expressed as percentages. The methodological framework draws upon standard financial ratio and trend analysis techniques established by Subramanyam [12] and Gibson [13].

The use of five-year data in financial statement analysis facilitates comparison and provides broader information. The following analysis is therefore based on five years of data.

3. Results and Discussion

As noted above, financial statement analysis can improve the future efficiency of budget organizations. The following section provides a practical assessment of how such analysis informs an evaluation of an organization's financial position. The analysis is based on the financial statements of the Nizami National Pedagogical University of Uzbekistan for 2021–2025.

Table 1. Analysis of Balance Sheet Data (thousand UZS).

Indicators		2021	2022	2023	2024	2025	Change 2022–2021	Change 2023–2022	Change 2024–2023	Change 2025–2024
		Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Assets										
1	Intangible assets	9 821 394,00	56 212,00	56 212,00	56 212,00	56 212,00	-9 765 182,00	0,00	0,00	0,00
2	Fixed assets	46 539 996,00	54 264 821,40	91 862 457,70	88 709 485,60	95 401 977,80	7 224 825,40	57 597 636,30	-3 152 972,10	6 692 492,20
3	Inventories	4 007 223,90	721 181,20	4 512 781,90	3 706 198,30	11 321 325,40	-3 286 041,70	3 791 600,70	-806 583,60	7 615 127,10
4	Financial assets	261 656 523,50	401 117 610,30	328 239 002,30	537 670 045,50	515 057 445,90	139 461 086,80	-72 878 608,00	189 431 043,20	-2 612 599,60
5	Accounts receivable	36 557 627,70	68 196 460,80	97 581 561,30	215 520 582,60	441 267 335,70	31 638 835,10	29 385 100,70	117 939 021,10	225 746 753,10
6	Total assets	358 582 765,10	528 386 285,70	522 282 015,40	630 141 941,40	621 836 961,20	169 773 520,60	-6 104 270,30	87 889 926,00	11 695 019,80
Liabilities										
1	Accounts payable	230 402 566,90	55 701 801,10	13 014 436,70	23 441 427,60	30 622 898,60	-174 700 765,80	-42 687 564,40	10 426 990,90	7 181 471,00
2	Financial results	128 180 198,20	472 654 484,60	509 237 578,70	586 700 513,70	591 214 062,60	344 474 286,40	36 583 084,10	77 462 935,00	4 513 548,90
3	Current-year financial result from budget funds	5 483 057,10	6 619 868,10	3 928 692,40	5 766 651,70	32 364 776,70	1 136 811,00	-2 691 175,70	1 837 959,30	26 598 125,00
4	Current-year financial result from extra-budgetary tuition-contract funds	74 882 246,30	416 192 787,90	459 741 891,20	535 565 752,50	516 066 396,10	341 310 541,60	43 549 103,30	73 823 861,30	-17 489 556,40
5	Current-year financial result from the budget organization development fund	47 814 894,90	49 841 912,30	43 267 079,00	44 387 582,40	42 782 889,80	2 027 017,60	-4 274 833,30	-1 179 496,60	-1 604 692,60
6	Total liabilities	358 582 765,10	528 386 285,70	522 282 015,40	630 141 941,40	621 836 961,20	169 773 520,60	-6 104 270,30	87 889 926,00	11 695 019,80

According to the data in Table 1, the university's total assets increased from UZS 358,582,765.1 thousand in 2021 to UZS 621,836,961.2 thousand in 2025, representing an increase of UZS 263,254,196.1 thousand, or approximately 73.4 percent. The growth was uneven: assets increased by UZS 169,773,520.6 thousand in 2022, decreased by UZS 6,104,270.3 thousand in 2023, and then rose substantially by UZS 87,889,926.0 thousand in 2024. In 2025, the growth rate slowed, with total assets increasing by UZS 11,695,019.8 thousand.

Financial assets occupied the leading position in the asset structure. Their value increased from UZS 261,656,523.5 thousand in 2021 to UZS 515,057,445.9 thousand in 2025. However, decreases of UZS 72,878,608.0 thousand in 2023 and UZS 2,612,599.6 thousand in 2025 were recorded. Fixed assets rose from UZS 46,539,996.0 thousand to UZS 95,401,977.8 thousand, almost doubling over the five-year period. Although the sharp increase in 2023 indicates an expansion of the material and technical base, the decline of UZS 3,152,972.1 thousand in 2024 may have been associated with depreciation, disposals, or the reclassification of assets. Inventories changed unevenly: they declined sharply in 2022 and then increased to UZS 11,321,325.4 thousand by 2025. The decrease in intangible assets from UZS 9,821,394.0 thousand in 2021 to UZS 56,212.0 thousand in 2022 is a particularly significant change that requires separate investigation.

The most important adverse trend is the rapid growth of accounts receivable. This indicator increased from UZS 36,557,627.7 thousand in 2021 to UZS 441,267,335.7 thousand in 2025, rising approximately 12.1-fold. Particularly substantial increases were observed in

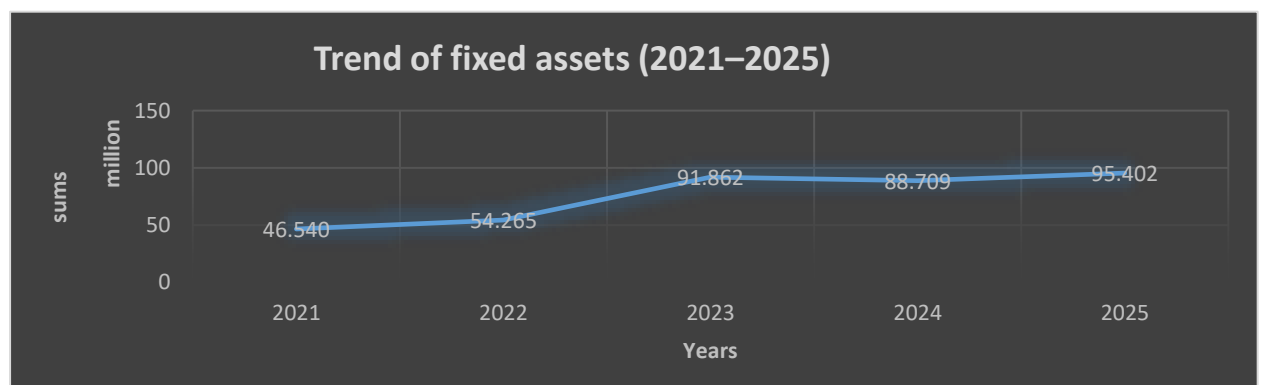
2024 and 2025, amounting to UZS 117,939,021.1 thousand and UZS 225,746,753.1 thousand, respectively. This may indicate that funds remain tied up in settlements for prolonged periods, that debt-collection mechanisms are insufficiently effective, or that certain amounts have been misclassified. Accounts payable, by contrast, fell sharply from UZS 230,402,566.9 thousand in 2021 to UZS 13,014,436.7 thousand in 2023, but then increased again in 2024–2025, reaching UZS 30,622,898.6 thousand. Overall, although the long-term decline in accounts payable is positive, the increase over the last two years indicates a need to strengthen control over payment discipline and the timely fulfillment of obligations.

Financial results increased from UZS 128,180,198.2 thousand in 2021 to UZS 591,214,062.6 thousand in 2025. The largest part of this growth was attributable to the current-year financial result from extra-budgetary tuition-contract funds, which rose from UZS 74,882,246.3 thousand to UZS 516,066,396.1 thousand. At the same time, this indicator decreased by UZS 17,499,356.4 thousand in 2025. In contrast, the current-year financial result from budget funds increased by UZS 26,598,125.0 thousand in 2025, reaching UZS 32,364,776.7 thousand. The result relating to the development fund, however, has declined steadily since 2022 and fell to UZS 42,782,889.8 thousand in 2025.

Table 2. Trend of fixed assets.

Year	2021	2022	2023	2024	2025
Fixed assets	46 539 996,00	54 264 821,40	91 862 457,70	88 709 485,60	95 401 977,80
Year-on-year change		7 724 825,40	37 597 636,30	-3 152 972,10	6 692 492,20
Growth rate		16,60%	69,29%	-3,43%	7,54%

Indicator	Result
Change from 2021 to 2025	48 861 981,80
Peak year	2025
Trend	Growth
	The value of fixed assets increased from
Conclusion	2021 to 2025.



The chart and supporting tables show that fixed assets followed an overall upward trajectory during 2021–2025. Their value increased from UZS 46,539,996.0 thousand in 2021 to UZS 95,401,977.8 thousand in 2025, an absolute rise of UZS 48,861,981.8 thousand, equivalent to approximately 105.0 percent. This means that the value of fixed assets more

than doubled over the period, indicating a substantial expansion of the university's material and technical capacity.

The year-on-year pattern was uneven. Fixed assets increased by UZS 7,724,825.4 thousand, or 16.60 percent, in 2022 and then recorded their strongest annual growth in 2023, rising by UZS 37,597,636.3 thousand, or 69.29 percent. In 2024, however, the value declined by UZS 3,152,972.1 thousand, corresponding to a decrease of 3.43 percent. Growth resumed in 2025, when fixed assets rose by UZS 6,692,492.2 thousand, or 7.54 percent, and reached their highest level in the five-year period.

These movements suggest that the university made major capital investments in 2023, followed by a temporary contraction in 2024 that may reflect depreciation, disposals, revaluation, or reclassification. The renewed increase in 2025 is positive, but its relatively moderate rate compared with 2023 shows that the expansion of the asset base has slowed. For effective financial management, the accounting department should reconcile the annual changes with acquisition, disposal, depreciation, and revaluation records, while management should assess whether the additional fixed assets are being used efficiently and are contributing to the university's educational and operational objectives.

Overall, the analysis shows that the university's financial capacity and volume of assets increased. However, the fact that a large share of asset growth was generated by accounts receivable represents a risky trend from a financial management perspective. It is therefore advisable to inventory receivables by maturity and debtor, strengthen collection measures, verify through supporting documentation the reasons for the sharp decline in intangible assets, standardize inventory movements, and identify the factors behind the deterioration in the development fund result. These measures would help improve the reliability of balance sheet indicators, accelerate the turnover of funds, and strengthen financial discipline. Such measures align with public expenditure principles outlined by Musgrave and Musgrave [14] as well as modern public financial management frameworks detailed by Jones and Pendlebury [15].

The deficiencies identified through the analysis should be submitted to the accounting department and brought to the attention of the chief accountant. This would contribute to reducing the university's accounts receivable in subsequent years. In budget organizations, such analyses are generally conducted by internal auditors and chief accountants. The adequate knowledge and practical experience of the internal auditor and the chief accountant are essential for ensuring the proper conduct of financial analysis.

Discussion

From Financial statement analysis provides stakeholders with systematic information about an organization's financial operations and position. In budget organizations, its particular value lies in tracing movements in both budgetary and extra-budgetary funds during the reporting period. This information supports management oversight and provides an evidence base for subsequent decisions.

Financial statement analysis is an evaluative method that examines the balance sheet in relation to the past, present, and future financial condition of an organization. Through such analysis, it is possible to obtain information about the financial position of a budget organization, make future managerial decisions, and identify errors and shortcomings in financial operations. The analytical process also enables the assessment of efficiency and effectiveness, helps optimize expenditures, and prevents the misuse of budget funds.

By analyzing the five-year financial statements of the Nizami National Pedagogical University of Uzbekistan, information was obtained on the university's fixed assets, inventories, and intangible assets. With regard to receivables, the analysis showed that accounting operations must be carried out in a timely manner and that identified deficiencies and errors should be corrected.

The university's statements exhibit two important qualitative characteristics emphasized in the IPSAS Conceptual Framework: comparability and understandability.

The five-year presentation allows users to identify and compare trends across reporting periods. Nevertheless, these characteristics alone do not establish full compliance with IPSAS; a comprehensive compliance assessment would require examination of recognition, measurement, presentation, and disclosure requirements across the complete set of financial statements.

At the same time, financial control over receivables and payables should be strengthened. Receivables increased markedly, particularly in 2024–2025, while payables rose in both 2024 and 2025 after earlier declines. These trends indicate the need for closer monitoring, timely settlement, and more accurate accounting classification.

4. Conclusion

In conclusion, the five-year horizontal analysis shows that the university's total assets and financial results increased substantially, while the composition and movement of several balance sheet items require stronger accounting control. The most significant risk is the 12.1-fold increase in accounts receivable, particularly during 2024–2025. The renewed growth of accounts payable, the sharp reduction in intangible assets, uneven inventory movements, and the continued decline in the financial result of the development fund also require documented review and timely corrective action. Based on these findings, the following recommendations are proposed:

1. Accountants should prepare a monthly ageing schedule of accounts receivable by debtor, source of funds, due date, and likelihood of collection; overdue balances should be reconciled with counterparties and submitted to management together with a documented recovery plan.
2. Accounts payable should be reconciled each month with contracts, invoices, treasury records, and payment deadlines. The accounting department should maintain a payment calendar, investigate overdue obligations, and prevent penalties or unauthorized commitments.
3. A complete inventory of fixed assets, intangible assets, and inventories should be conducted, and the results should be compared with accounting registers. The sharp decline in intangible assets and the fluctuations in inventories should be supported by disposal acts, transfer documents, valuation records, and other primary documentation.
4. Accounting entries should be reviewed before each reporting date to ensure that receivables, payables, financial assets, inventories, and fund balances are correctly classified and recorded in the proper reporting period. Identified errors should be corrected promptly and documented in an adjustment register.
5. Separate analytical records should be maintained for budget funds, tuition-contract funds, and the development fund. Accountants should explain significant year-on-year deviations and report the reasons for the decline in the development fund result to the chief accountant and management.
6. The chief accountant should introduce a quarterly internal review of balance sheet trends, assign responsible employees and deadlines for corrective measures, and retain evidence of completed reconciliations, inventories, and management decisions. Such controls will improve reporting reliability, accelerate the turnover of funds, and strengthen financial discipline.

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