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 Research Article

ACCOUNTING OF FINANCIAL RESULTS IN BANKS AND INTERNATIONAL STANDARDS

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ABSTRACT

Accounting of financial results in banks is very important to show their financial status and activity correctly. Financial accounting in banks involves measuring, recording and reporting financial transactions, assets, liabilities, equity, income and expenses. These reports provide stakeholders, including regulators, investors and management, with important insights into the financial health of the bank. The complexity of banking operations, along with regulatory requirements, makes it mandatory for banks to adhere to international accounting standards that ensure transparency, comparability and consistency across the industry.

KEYWORDS

International Financial Reporting Standards (IFRS), Generally Accepted Accounting Principles (GAAP), financial reporting, financial result, profit, loss, income, expense.

INTRODUCTION

Accounting for financial results in banks is an important aspect of financial management that allows banks to accurately reflect their performance, financial health and compliance with legislation. Given the complexity of banking operations, which include loans, investments, deposits and various financial products, standardized accounting practices are essential. International standards such as International Financial Reporting Standards (IFRS) and Generally Accepted Accounting Principles (GAAP) play a decisive role here. They ensure uniformity, transparency and comparability of financial reporting in different jurisdictions.

Accounting of financial results in banks is a regulated and complex process, which becomes more efficient and transparent by applying international accounting standards. IFRS and US GAAP provide consistent guidance for financial reporting, which ensures that banks' financial statements are comparable, transparent and reliable. These standards not only help banks accurately demonstrate their financial health, but also increase investor confidence, regulatory compliance, and financial stability in the banking sector.

As the global banking industry continues to evolve, it is increasingly important to adhere to these international standards, which ensure that banks remain responsible and sustainable in an increasingly interconnected financial world.

LITERATURE REVIEW

The accounting of financial results in banks is significantly influenced by the adoption of International Financial Reporting Standards (IFRS), which aims to enhance transparency and comparability in financial reporting. This transition has implications for corporate governance and financial performance across various banking institutions.

Impact on Financial Reporting Quality

- IFRS adoption improves financial reporting quality by increasing transparency and reducing earnings management, particularly in countries with strong regulatory frameworks [1].
- Studies indicate that banks applying IFRS demonstrate better financial performance metrics, such as liquidity and profitability, compared to those using local GAAP [2].

Challenges of Implementation

- The transition to IFRS can be complex and costly, especially for smaller banks and those in developing countries, which may hinder effective adoption (Asri, 2024).

- A lack of familiarity with IFRS can lead to minimal impact on financial ratios, suggesting a need for comprehensive training and support for accounting professionals [2, 4].

Regulatory Considerations

- Continuous updates by the International Accounting Standards Board (IASB) and efforts towards convergence with US-GAAP highlight the dynamic nature of international accounting standards [3].

- The establishment of independent supervisory bodies is recommended to ensure compliance with IFRS among banks, enhancing the reliability of financial statements [2].

While IFRS adoption presents numerous benefits, the challenges associated with its implementation underscore the need for tailored approaches to facilitate effective transition, particularly in diverse economic contexts.

METHODOLOGY

Economic research methods were used to systematically analyze the data using a systematic approach to studying the problem.

The methodological basis of the research is formal logic, statistical and comparative analysis methods, systematization, classification and expert assessment, grouping, comparative method and content analysis, graphic interpretation methods, etc.

RESULTS

The financial result of commercial banks is determined like the financial result of all other economic entities. The final result of the activity is determined according to the formula of the traditional form of profit or loss calculation:

$$\text{Benefit (damage)} = \text{income} - \text{cost}$$

Calculating the final financial result according to the business formula does not provide the necessary information for the manager, founder, financial management, persons involved in the analysis and other interested parties. The interested parties determine their own procedures for calculating the financial result of the company. Financial business entities the result mainly tax from bloodline and accounts

using accounting standards. Similarly, the financial result is calculated based on the objectives of financial management and economic analysis.

From this report form, the following indicators of the financial result can be shown separately:

- Pure with interest income;
- Net interest income after formation of loan loss compensation reserve;
- Percent with depends didn't happen pure income;
- Valuable - papers according to income or damages account income before and after taxes;
- Bank operational activity according to pure income;
- Precious from papers income or damage;
- Pure income;
- retained earnings.

It can be seen that Sinki (1994) approached the by model of determining the financial result of the bank from the point of view of paying taxes and taking into account the bank's operations related to securities. Similarly, interest and non-interest

income of the bank are shown separately. The model can be used in countries where the stock market is developed and the main part of banking operations is directly related to financial operations [5].

Commerce in banks financial the results to form when considering, it is appropriate to consider indicators of financial results in the banking system of foreign countries.

The sequence of forming financial results by adding net non-interest income to net interest income and determining profit before taxes is common in US banks.

In this case, it would be more reasonable to subtract the non-interest expenses from the sum of net interest and operating income, because the non-interest expenses are the bank's savings expenses. In such a model, the process of forming financial results should be divided into two separate stages compatible will be: pure operational income formation stage and operational didn't happen income and expenses formation stage.

According to Zharkovskaya (2005), the model of formation of financial results based on the "Profit and Loss" report in Russian commercial banks

will have the following form: interest income, interest expense, net interest income (line 1 - line 2), other operating income (losses), gross operating income (losses) (line 3 + line 4), operating expenses, net operating income (loss) (line 5 - line 6), the costs of forming a reserve for possible losses on loans, profit (loss) on unforeseen circumstances, net income (loss) before tax (line 7 - line 8 +/- line 9), income tax, net profit (loss) (line 10 - 11), profit distribution [6].

Such summarization of bank incomes and expenses allows to determine the degree of dependence of the years in carrying out the main banking operations, as well as the profits received at intermediate stages .

The considered models do not change the final result, that is, the bank's net profit. The models of formation of net profit differ only in the order of implementation of accounts.

Karimov (1998) proposed the procedure for calculating financial results based on the following indicators: gross profit, profit on the main activity, period costs, the result of economic activity, interest earned on other activities, the result of financial activity (profit, loss), expenses

on other activities, unexpected profit (loss), pre-tax result (profit, loss), tax, net profit (loss), paid dividends, retained earnings [7].

In the Ushby system of indicators, financial results are linked to types of bank activity, including gross profit, profit on the main activity, the result of economic activity, the result of financial activity, unforeseen in favkylot benefit, tax paid until has been result, net profit (damage), not distributed benefit like indicators is determined. However, the analysis of banking activities does not match the data, because there is a disproportion between the years when comparing the income received and the expenses incurred. For example, gross profit is calculated by subtracting the interest paid on deposits from the interest earned on the loan. Funds attracted by the bank for deposits are used not only for credit operations, but also for other banking operations. For example, investment, leasing and other operations are simple.

Currently, the algorithm for forming financial performance indicators in commercial banks of Uzbekistan is based on the financial reporting forms and accounting standards established by the Central Bank. Methodical instructions for filling out the "Profit and Loss Report" form

according to the Instruction (No. 584) (No. 584) approved by the Central Bank (2004) is considered

Thus, the profit of a commercial bank in all its forms can be divided into three groups:

- interest income;
- income received in exchange for mediation (commission);
- other miscellaneous income (exchange rate difference in market operations, difference between the balance sheet price of sold bank property, revaluation of securities and other nominal value, income received in exchange for fines).

The income received in return for the specified services should ensure that the bank receives a profit covering its expenses and risks .

Loan interest is the interest paid for a loan given for a certain period. Types of loan interest are described as follows:

- according to credit forms:
 - commercial interest;
 - bank interest;

- consumption percentage;
- by types of credit institutions:
 - Central bank interest;
 - percentage of commercial banks;
 - interest on pawn (pledge);
 - according to loan periods:
 - short-term loan interest;
 - interest at the level of the money market rate;
 - long-term loan interest;
 - by loan types:
 - interest on loans;
 - interbank loan percentage;
 - deposit percentage;
 - according to the calculation method:
 - simple interest;
 - compound interest;
 - net interest;
 - ordinary interest etc.

Regardless of different forms, the agreed loan percentage is formed on the basis of the value of credit resources and the necessary margin for this commercial bank.

Absolute (absolute) numbers cannot describe the profitability of commercial banks. For this, it is necessary to calculate a number of financial coefficients (Table 1).

Profit per sum of assets is the main indicator in the system of indicators describing the bank's

profitability. But even this indicator is not enough to evaluate the effectiveness of the bank's activity. This means that, firstly, high profits are associated with high risk, and secondly, the factors affecting the dynamics of this indicator are various and uncertain. Therefore, when analyzing the bank's profitability, it is necessary to simultaneously think about how to protect it from risk.

Table 1

System of utility coefficients

№	Indicators	Calculation method	Explanation
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
1.	Profit per sum of assets (K_{fa})	$K_{fa} = \frac{BF}{\bar{A}}$	BF – balance sheet profit \bar{A} - the average balance of the balance sheet asset
2.	Deductible profit per sum of assets (K_{chfa})	$K_{chfa} = \frac{BF - NBMD}{\bar{A}}$	NBMD - income from non-sustainable resources this coefficient from K_{fa} is that here the level of profitability achieved by the bank's profit from unstable sources does not raise the bank's rating.
3.	Net profit per sum of assets (K_{sf})	$K_{sf} = \frac{SF}{\bar{A}}$	SF is net profit
4.	Diluted net profit per sum of assets (K_{chsf})	$K_{chsf} = \frac{SF - NBMD}{\bar{A}}$	When calculating the coefficients based on net profit, you can use the standards recommended by the experts of the World Bank. In particular, the normative level of K_{sf} can fluctuate from 1.15 to 0.35 percent, and the

		level of K_{chsf} from 1.0 percent to 0.6 percent.	
5.	Profit per soum of equity capital (K_{okf})	$K_{okf} = \frac{BF}{OK}$	OK - the average value of the bank's own capital

The main factors affecting the total amount of profit:

- the ratio between the rate of growth of the bank's income and expenses;
- the average income received from certain asset operations of the bank;
- the weight of income-generating assets in the composition of bank assets (the weight of working assets);
- movement of interest rates on the bank's asset and liability operations;
- composition of income-generating assets;
- credit portfolio composition;
- weight of risky asset operations in bank assets;
- profitability of each asset operations.

In short, financial results are a system of interrelated economic indicators and are determined by comparing income and expenses in commercial banks. Interpretation of the

financial result as economic indicators in the form of income, expenses, profit and loss resulting from the implementation of banking activities shows that it should be based on a certain sequence in accounting and analysis.

Commercial banks are required to adhere to the accounting policy does, in our opinion, by:

- underwear account theoretical the basics creates;
- are the rules for the preparation of financial statements and reflect the accepted principles;
- profit count according to yummy approach tool is;
- represents the foundation of financial accounting, terms and content of financial statements.

Combining these approaches, the following scientific definition was formed:

It is known that one of the important requirements for the financial statements of commercial banks is the transparency. In our opinion, financial statements should not be intended only for accountants or auditors, but also for entrepreneurs, managers, marketing personnel and other accounting-related employees working in the bank.

We believe that this proposal will be one of the important factors in achieving the goal of simplifying and presenting financial statements in banks. And it allows various users in banks to provide information about the financial status, financial results and cash flows of the bank, which is useful for making economic decisions. As such, the financial reports that are formed on the basis of such principles lead to ensuring the effective management of the resources entrusted to it by the bank's management.

In the development of account policy in commercial banks. It is possible to use international standards in the following directions:

First, the financial report on the activity of banks standards are real status (original) according to

recommendation to do and years complete acceptable to do;

second, international from standards from use bytynlay give up passing away and development of national standards for banks only on the basis of IFRS;

third, to harmonize the normative documents related to the activity of banks (Central Bank) with the requirements of the Ministry of Internal Affairs and Communications.

Ours in our opinion third direction a lot in terms of important and is correct, in which the characteristics of the transition period, the financial and credit system, forms of ownership, the state of the republic's economy, and other factors are taken into account when aligning the normative documents of the Central Bank with the National Bank of Ukraine.

1. The information required to be described in the standard "Income from ordinary activities" No. 18 of IFRS includes the following, including the sale of goods, the provision of services and the use of assets of other parties that generate income in the form of interest, royalties and dividends.

In the "Report on profit or loss and other accumulated income" (No. 1 IFRS), it is envisaged to include the accumulated income for the period, including profit or loss, total other accumulated income and total profit or loss and other accumulated income. When applying the rules of this standard to the activities of banks, it is taken

into account that they are of a descriptive nature. When placing the indicators in the profit and loss statement of banks, we should refer to what type of indicators (initial, intermediate and consequential) are relevant and we recommend placing the years in the order of their gradual formation:

Table 2

In banks benefit and damages indicators classification

No	Indicators	Indicators description
1	With interest revenues	<i>Primary indicator</i>
2	With interest expenses	<i>Intermediate indicator</i>
3	Pure percentage income	<i>Effective indicator</i>
4	Credits according to probable damages again recovery	<i>Intermediate indicator</i>
5	Reserve evaluation minus from throwing next pure percentage income	<i>Effective indicator</i>
6	Interest free revenues	<i>Primary indicator</i>
7	Operation expenses	<i>Intermediate indicator</i>
8	Income (profit) from tax previous pure benefit (damage)	<i>Effective indicator</i>
9	Income (profit) tax evaluation	<i>Intermediate indicator</i>
10	Pure benefit (damage)	<i>Effective indicator</i>

2. The annual report of commercial banks is drawn up according to the Regulation of the Central Bank of the Republic of Uzbekistan "On requirements for annual financial reports of commercial banks published by the Central Bank of the Republic of Uzbekistan" (UzR AV October

25, 2004, No. 1419). This Regulation defines the requirements for the preparation of annual reports of commercial banks based on the legislation of the Republic of Uzbekistan and International Financial Reporting Standards (IFRS), and was last amended and supplemented

in October 2010. Another problem in the use of IFRS is that commercial banks tend to be more complex in their use. The process of translation of international standards into Uzbek by the Association of Banks of Uzbekistan is underway.

CONCLUSION

In general, we made the following conclusions on improving the accounting policy of commercial banks:

1. The tasks before the emerging accounting policy largely depend on the tactical and strategic directions of banks' development. Therefore, it was emphasized that the accounting policy should be formed based on the accounting and financial strategy adopted by the banks. Similarly, the relationship between accounting policy and accounting and financial strategy has been theoretically substantiated.

2. Accounting policy is a new phenomenon in the theory and practice of national accounting, and the methods and experiences of its implementation have not yet been significantly developed. As in any other event, there are certain issues in the accounting policy. Proposals on ways to solve problems have been developed.

In order to improve the accounting policy of commercial banks, the process of transformation of financial statements plays an important role in the harmonization of financial statements with IFRS. Financial reports transformation to do by Central the bank's haberdashery at the expense of about normative documents based on It is the process of re-compilation of the formed accounting works based on the requirements of international standards and making appropriate corrections to the reporting forms.

In our opinion, the model of transformation (turning) of the current financial reporting forms in commercial banks into IFRS is the analysis of the process of organizing and maintaining accounting, starting from the primary documents to the preparation of reports. to do includes international reconciliation of entries in accounts.

In the future, it would be appropriate for our accountants and specialists to perform the transformation of annual reports in commercial banks in accordance with the National Accounting Standards. We believe that the transformation should be carried out in the following stages.

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