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Improving Accounting In Budget Organizations On The Basis Of International Public Sector Accounting Standards (Ipsas)

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ABSTRACT

The article analyses the state, challenges and prospects of improving accounting in budget organisations of the Republic of Uzbekistan on the basis of International Public Sector Accounting Standards (IPSAS). Document analysis, comparative analysis and plan-versus-actual methods are applied. By 2025, 17 IPSAS-based budget accounting standards had been developed and registered, covering 42.5 percent of the 40 international standards; however, the pace of adoption lags behind the phased targets of the Asian Development Bank road map. The main gaps identified concern asset valuation and depreciation, full recognition of liabilities, incomplete reporting formats and non-integrated information systems. Practical recommendations are proposed to address these gaps.

INTRODUCTION

Effective public financial management and ensuring the targeted and transparent use of budget funds cannot be achieved without reliable accounting information. For this reason, in many countries of the world the transition from the cash basis to the accrual basis in the public sector and the introduction of International Public Sector Accounting Standards (IPSAS) have become one of the main directions of public financial management reforms. According to a survey of 169 jurisdictions conducted by IFAC and CIPFA, the share of governments reporting on an accrual basis increased from 29 percent in 2020 to 31 percent in 2024 and is expected to reach 56 percent by 2030 [1].

In Uzbekistan, accounting in budget organizations is maintained on the basis of the requirements of the Law “On Accounting” and the Budget Code (Republic of Uzbekistan, 2016; Republic of Uzbekistan, 2013). In recent years, consistent work has been carried out to align budget accounting with IPSAS: the Ministry of Finance is developing national budget accounting standards (BAS) on the basis of international standards, a unified chart of accounts has been piloted, and a standard on consolidated financial statements has been adopted.

Nevertheless, the reform is long-term in nature, and methodological, organizational and technical problems are arising in the course of its implementation.

The extent to which the requirements of international standards are being met at the level of budget organizations, the content of existing gaps and the ways of eliminating them have not been sufficiently studied scientifically.

The theoretical foundations of introducing the accrual basis in the public sector are closely linked to the concept of "New Public Management". C. Hood substantiated the ideas of results orientation, cost efficiency and strengthened accountability in public administration and showed the need to transfer private-sector management tools to the public sector [2]. Within this approach, the accrual basis is regarded as an instrument that provides a complete picture of government assets and liabilities. The conceptual framework of the IPSAS Board also defines the objective of public sector reporting as providing information useful for accountability and decision-making.

However, scientific opinions on the effects of the transition to the accrual basis are not uniform. Using the example of Australia, J. Guthrie showed that there is a significant gap between the declared objectives and the actual results of the reforms [3]. I. Lapsley and co-authors assessed the accrual basis as a "self-evident and problematic" reform, emphasizing that its complexity and costs are often underestimated Researchers who studied the experience of Nepal noted that the accrual basis was introduced in the absence of institutional readiness and was subsequently abandoned.

The impact of IPSAS on financial information systems has been widely studied using the example of European countries. J. Christiaens and co-authors found that IPSAS is in many cases applied not directly but as a model for national standards. The problems of accounting harmonization in Europe are systematically covered in a collective monograph. T. Polzer and co-authors, comparing models of IPSAS implementation, showed that global standards are implemented in different ways, adapted to local conditions [4]. A systematic literature review on IPSAS noted that research in the field focuses mainly on the implementation process and institutional factors. In addition, I. Ball particularly emphasized the importance of a complete accrual-based balance sheet in ensuring transparency.

The most detailed analysis for Uzbekistan is given in the IPSAS implementation road map prepared by the Asian Development Bank, which proposes implementing the reform in four stages over more than ten years [5]. However, studies assessing the practical results in the period after the adoption of the road map are still few, and this article aims to partially fill this gap.

The aim of the study is to assess the state of the process of reforming accounting in budget organizations of Uzbekistan on the basis of IPSAS, to identify the main differences between current practice and international requirements, and to develop scientifically grounded proposals for improving accounting [6].

METHODS

The information base of the study consisted of the regulatory legal acts of the Republic of Uzbekistan in the field of budget accounting, official presentation materials

of the Ministry of Economy and Finance on public financial management reforms the road map of the Asian Development Bank, and data of the IFAC and CIPFA International Public Sector Financial Accountability Index.

Three methods were applied in the analysis. First, the number and content of approved budget accounting standards were determined through document analysis. Second, using the plan-versus-actual method, the actual pace of introducing the standards was compared with the stage targets set in the road map, and the level of fulfilment was calculated using the formula B = Sf / Sr × 100, where Sf is the number of standards actually approved and Sr is the number of standards according to the plan. Third, current practice for the main accounting objects was compared with IPSAS requirements through comparative analysis.

RESULTS

The process of aligning budget accounting in Uzbekistan with IPSAS is being implemented step by step. At the initial stage, 12 national standards were approved in legislation for implementation from 2020, but their application in practice was postponed by 12 months. Subsequently, BAS No. 13 on consolidated financial statements was adopted and entered into force on 1 January 2023 [7]. According to the Ministry of Economy and Finance, as of 2025, 17 budget accounting standards had been developed on the basis of IPSAS and registered with the Ministry of Justice, while standard No. 18 “Events after the Reporting Date”, based on IPSAS 14, has been submitted for registration. The remaining standards are planned to be developed in 2025–2030 [8].

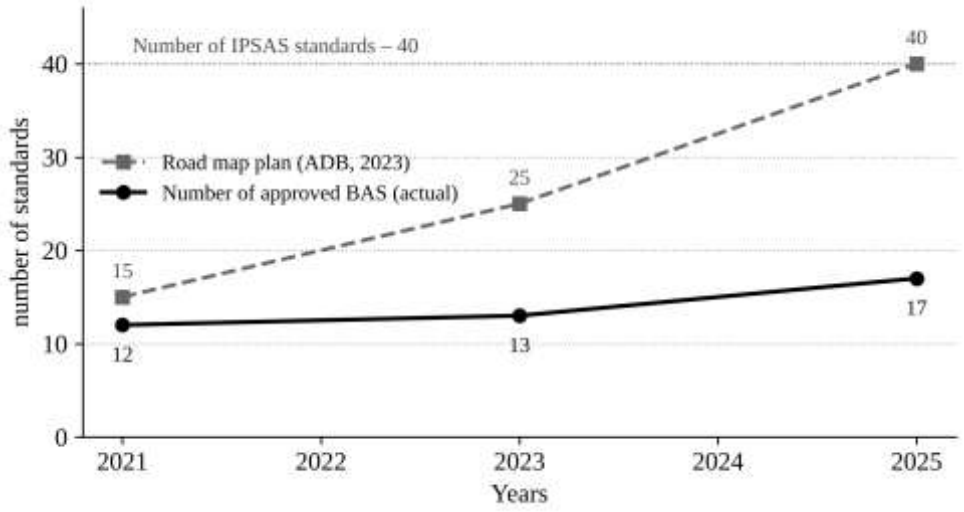


Figure 1. Introduction of IPSAS-based budget accounting standards: plan and actual. Source: author’s development based on ADB and PEMPAL data.

Figure 1 compares the stage targets of the road map with the actual results. According to the road map, 15 standards were to be introduced by the end of the first stage and 25 by the end of the second stage, and all IPSAS-based standards were to be adopted in the third stage [9]. In practice, plan fulfilment amounted to 80 percent in the first stage, 52 percent in the second stage and 42.5 percent as of 2025. Thus, while the

gap between plan and actual was relatively small at the initial stage of the reform, the discrepancy widened as the transition to more complex standards proceeded. This is consistent with the conclusions of international studies on the complexity of the transition to the accrual basis [10].

The comparative analysis of current budget accounting practice against IPSAS requirements revealed a number of gaps for the main accounting objects (Table 1) [11].

Table 1. Main differences between current accounting practice in budget organizations and IPSAS requirements

Accounting object	Current practice	IPSAS requirement	Proposed solution
Fixed assets	Historical cost, indexation at the beginning of the year; depreciation reflected as a total amount	Depreciation for each asset based on its useful life; revaluation at fair value (IPSAS 17)	Setting a capitalization threshold, maintaining an asset register, comparison with market value at year-end
Impairment of assets	Write-offs are delayed; impairment is not tested annually	Annual assessment of indicators of impairment (IPSAS 21, 26)	Combining the annual inventory with an impairment test
Liabilities and debt	Debt is recorded mainly on the basis of cash movements	Recognition of all liabilities when they arise (IPSAS 1, 19)	Integrating a single register of debt and guarantees with the accounting system
Reporting formats	Cash flow and budget comparison statements; notes are incomplete	A complete set of financial statements, comparison of budget execution (IPSAS 1, 2, 24)	Supplementing BAS-3 with the requirements of IPSAS 2 and IPSAS 24
Information systems	Transactions are recorded twice in the systems of budget organizations and	A single accounting policy and a consolidation-ready database	Introducing an integrated IFMIS based on the unified chart of accounts

Accounting object	Current practice	IPSAS requirement	Proposed solution
	the Treasury		

Source: author's development based on Asian Development Bank data and IPSAS requirements.

The table data show that the most serious differences relate to the accounting of non-financial assets. Fixed assets are recorded at historical cost and indexed at the beginning of the year, and depreciation is reflected not for each object but as a total amount. The absence of a capitalization threshold and the lack of regular impairment assessment mean that the balance sheet does not reflect the real value of state property. As for liabilities, debt is recognized mainly at the moment cash movements are recorded, which makes information on the financial position of budget organizations incomplete [12].

Technically, the accounting software used by budget organizations and the Treasury information system have separate databases, and cash transactions are recorded twice. A unified chart of accounts has been developed; its six-digit account code, together with the seven-digit budget classification, forms a 13-digit code. Although this is an important basis for preparing consolidated statements, the risk of errors in reconciling data remains until the systems are integrated [13].

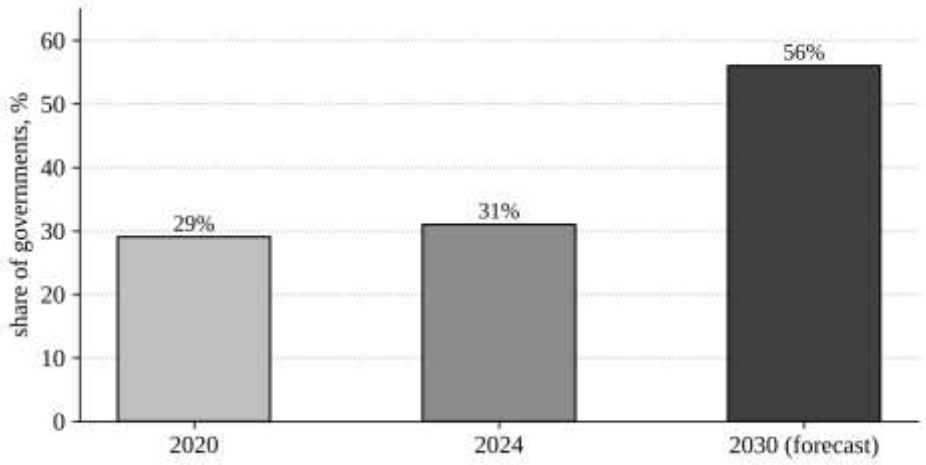


Figure 2. Share of governments reporting on an accrual basis (169 jurisdictions, percent). Source: author's development based on IFAC and CIPFA data.

Figure 2 shows the international context: while the share of accrual-basis governments increased by only 2 percentage points in 2020–2024, this indicator is expected to reach 56 percent by 2030. Importantly, it is forecast that by 2030, 60 percent of accrual adopters will be middle- and low-income countries, and 81 percent of them will apply IPSAS directly, in a modified form or as the basis for national standards. Hence, the path chosen by Uzbekistan – the step-by-step introduction of IPSAS through national standards – is fully in line with the international trend [14].

DISCUSSION

The results obtained show that the process of introducing IPSAS in Uzbekistan is moving in the right direction, but at a slower pace than planned. Such a slowdown is also typical of international practice: in most countries that have moved to the accrual basis, the reform has lasted ten years or more. At the same time, the number of standards alone is not the only criterion of the reform's success. If standards are adopted but the information systems, staff capacity and opening data on asset valuation needed to apply them are lacking, the reform may remain formal.

Therefore, at the next stage it is advisable to focus priority not on increasing the number of standards but on ensuring the high-quality application of existing standards in practice. In particular, the full inventory and valuation of fixed assets, the preparation of an opening balance sheet and the introduction of reporting forms linking budget execution and financial reporting will determine the practical outcome of the reform [15]. As international experience shows, applying IPSAS in a modified form through national standards increases adaptability to local conditions; however, it is important in this case to disclose departures from the international standards openly.

The improvement of the PEFA rating for internal audit from D+ in 2018 to B+ in 2024 shows that the institutional foundations of public financial management are being strengthened. This further increases the need for reliable accrual-based financial information, since high-quality auditing relies on high-quality accounting.

CONCLUSION

Based on the results of the study, the following conclusions were drawn. First, as of 2025, 17 IPSAS-based budget accounting standards have been approved in Uzbekistan, and 42.5 percent of the set of international standards has been transferred into national legislation. Second, the pace of introducing the standards is lagging behind the stage targets of the road map, and the gap between plan and actual is widening as the transition to complex standards proceeds. Third, the main gaps relate to the valuation of fixed assets, the recognition of liabilities, reporting formats and the integration of information systems.

In order to improve accounting in budget organizations on the basis of IPSAS, the following is proposed:

- to set a capitalization threshold for fixed assets, maintain an asset register and move to calculating depreciation for each object on the basis of its useful life;
- to combine the annual inventory with an impairment test and introduce a procedure for comparing revaluation results with market value;
- to gradually merge the information systems of budget organizations and the Treasury into an integrated financial management information system (IFMIS) based on the unified chart of accounts;
- to include, as a priority, the requirements for comparing budget execution with financial statements (IPSAS 24) and for disclosing information on the general

government sector (IPSAS 22) in the standards of the next stage;

– to create a system of continuous professional development and certification in IPSAS for accountants of budget organizations and to include public sector accounting courses in the curricula of higher education institutions.

The implementation of the proposed measures will serve to increase the reliability and comparability of the financial statements of budget organizations, to reflect state assets and liabilities fully and to ensure the transparency of public finances.

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