



Article

# Accounting of Leases Transactions in Financial Statements and Their Analysis

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**Abstract:** In this article, we will consider the issue of accounting for lease transactions in financial statements and their impact on the financial results of companies. In the course of the study, we will analyze the economic essence of lease relations, their significance for the company's activities, and also consider how these transactions are reflected in accounting and financial statements. Special attention will be paid to the theoretical and practical aspects of accounting for lease transactions in accordance with international financial reporting standards, in particular, IFRS 16 Leases. In addition, we will evaluate the impact of lease transactions on key financial indicators, such as assets, liabilities, production volume and net profit, using the example of a specific company. The results of the study demonstrate that the lease mechanism provides enterprises with the opportunity to increase production capacity, optimize the use of financial resources and increase investment activity without significant initial investments. At the same time, proper accounting and correct reflection of lease transactions in financial statements contribute to increasing the reliability and transparency of financial information, which is important for investors, creditors and other stakeholders.

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## 1. Introduction

Currently, in a market economy, the effective use of economic resources, the activation of investment processes, and the expansion of production capacities are among the priorities of economic policy. In this process, lease relations in the activities of economic entities are manifested as an important economic instrument. The lease mechanism allows enterprises to use the means of production and infrastructure facilities without attracting large capital investments. This serves to increase production efficiency, the rational use of economic resources, and the development of entrepreneurial activity.

In the Republic of Uzbekistan, lease relations are regulated by the state economically, legally, and financially. The main legal foundations of lease relations are defined in the Civil Code of the Republic of Uzbekistan, which outlines the content of the lease agreement, the objects of lease, the rights and obligations of the parties, and the procedure for implementing lease relations [1]. Also, relations related to the accounting of financial transactions carried out by economic entities and their reflection in financial statements are regulated by the Tax Code of the Republic of Uzbekistan [2].

In a market economy, the proper organization of the accounting system is crucial for the effective organization of enterprise activities. Through accounting, reliable information

is formed on the financial condition, assets and liabilities of enterprises, as well as on ongoing business operations. In this process, the correct accounting of lease operations and their reliable reflection in financial statements are of great importance. These issues are also reflected in the Law of the Republic of Uzbekistan "On Accounting," which defines the basic principles of accounting and the procedure for generating financial statements [3].

In recent years, a number of regulatory legal acts have been adopted in our country to modernize the economy, improve the investment climate, and ensure the effective use of production infrastructure. In particular, state decisions aimed at the effective management of state assets in economic sectors, the efficient use of production facilities, and the development of entrepreneurial activity create an important legal basis for the widespread application of lease relations [4]. Also, government decisions regulating the processes of organizing and managing certain types of economic activity serve to improve the system of leasing and using production facilities [5].

In the process of implementing economic reforms in the Republic of Uzbekistan, the Head of State Shavkat Mirziyoyev pays special attention to the issues of effective use of available resources in the economy, development of production infrastructure, and support for entrepreneurial activity. In his speeches, the President emphasizes the need for the effective use of existing production capacities and infrastructure in economic sectors, the involvement of vacant facilities in entrepreneurial activity, and the widespread use of lease mechanisms [6].

Lease operations are an important component of the financial activities of enterprises. Enterprises use many fixed assets in organizing the production process, and acquiring all of them is not always economically feasible. Therefore, the lease mechanism is widely used in the operation of means of production, buildings, structures, equipment, and vehicles. Lease operations provide enterprises with the opportunity to expand the production process, reduce capital investments, and effectively use financial resources.

At the same time, it is important to correctly reflect lease transactions in accounting and accurately reflect them in financial statements. Because financial statements provide investors, creditors, and other interested parties with important economic information about the activities of the enterprise. If lease operations are not fully and accurately reflected in the financial statements, this can lead to an incorrect assessment of the financial condition of the enterprise.

In international practice, the accounting of lease transactions also has important scientific and practical significance. In particular, the principles of accounting for lease transactions are detailed in international financial reporting standards, aimed at reflecting the real economic content of assets and liabilities. This will serve to increase the transparency of financial statements, ensure their comparability, and provide reliable information for investors.

Therefore, the proper organization of accounting for lease transactions in financial statements, the disclosure of their economic content, and the scientific study of the analysis of these transactions are of great importance. In-depth study of these issues serves to improve accounting, increase the reliability of financial statements, and effectively organize the process of making economic decisions.

### **Literature Analysis**

Issues of lease relations and their reflection in accounting have been widely studied in economic literature, and a number of scientific studies have been conducted in this area by domestic and foreign scientists. In these studies, the economic essence of lease operations, their reflection in accounting, reflection in financial statements, and issues of accounting based on international standards were analyzed.

One of the local scientists, G.A. Jumayeva, in her scientific works studied the theoretical foundations of lease relations and their significance in the economy. In the author's opinion, lease relations are one of the expanding economic institutions in the modern economy, which allows for the effective use of fixed assets in the activities of enterprises. The study analyzes various theoretical definitions of the concept of lease and highlights the differences between lease and leasing [7].

Also, in another study of the author, the stages of recognition of lease operations in enterprises and the process of their reflection in financial statements are analyzed. According to the research results, the correct recognition and assessment of lease operations in the process of generating financial statements based on international standards ensures a reliable reflection of the financial results of enterprises [8].

In his scientific work, domestic researcher B.B. Madazimov analyzed the features of reflecting leased fixed assets in accounting. The author notes that in modern economic conditions, the practice of leasing fixed assets by enterprises is widely used instead of purchasing them. Therefore, improving the accounting of lease operations and their accurate reflection in financial statements is one of the pressing issues [9].

In the study conducted by N.T. Kudbiyev, the economic and social significance of lease relations and their role in entrepreneurial activity were analyzed. In the author's opinion, the formation of an effective lease system contributes to economic development and the expansion of entrepreneurial activity. Furthermore, the ability of non-owners to conduct business through lease agreements is a crucial factor for economic development [10].

In the scientific research of foreign scientists, special attention is paid to the issues of reflecting lease operations in accounting and financial reporting. In particular, in the study conducted by G.I. Alekseeva, the theoretical and methodological foundations of accounting for lease transactions were analyzed based on international financial reporting standards. The author notes that as a result of the implementation of IFRS 16 "Lease," the system for accounting for lease transactions has significantly improved and substantiates the need to harmonize national accounting systems with international standards [11].

Also, in the study conducted by V.S. Plotnikova and O.V. Plotnikova, the differences between national and international standards for accounting for lease transactions were analyzed. According to the research results, IFRS 16 "Lease" makes it possible to more fully reflect the real economic content of assets and liabilities when reflecting lease transactions in financial statements. This serves to increase the transparency of financial reporting [12].

Foreign studies have also actively studied the importance of financial reporting for economic decision-making. In particular, the work of P. Lisovsky and M. Minnis analyzed the processes of preparation and use of financial statements by enterprises. The authors concluded that financial statements are an important source of information for investors and creditors and play a key role in the economic decision-making process [13].

Also, I.A. Avci studied the financial planning processes of companies operating on a lease basis in his research. The author emphasizes the importance of financial planning, forecasting income and expenses, and analyzing financial results to increase the effectiveness of lease-based business models [14].

Along with the above, in recent years, the issue of reflecting lease operations in financial statements has been widely studied in international scientific literature. In particular, the introduction of IFRS 16 "Leases" has radically changed the methodology for accounting for lease transactions, and the number of scientific studies devoted to this topic has significantly increased.

In particular, in studies conducted by Imhoff, Lipe, and Wright, the influence of reflecting lease operations in financial statements on the financial indicators of enterprises was analyzed. The authors, noting that off-balance sheet accounting of operating leases

reduces the transparency of financial statements, substantiated that the introduction of IFRS 16 served to eliminate this problem [15].

Also, in a study conducted by Morales-Díaz and Zamora-Ramírez, it was found that the implementation of IFRS 16 has a significant impact on the volume of assets and liabilities in the financial statements of enterprises. According to the research results, the reflection of lease liabilities in the balance sheet based on the new standard directly affects the financial indicators of enterprises, in particular, the debt burden and return on assets [16].

In addition, in modern research conducted by Biondi, Giannoccolo, and Andrei, the importance of the principle of priority of economic content in the process of reflecting lease transactions in financial statements is emphasized. According to the authors, recognizing lease operations as assets and liabilities allows for a more accurate representation of the company's financial position and increases the informational value of financial statements for investors [17].

The results of these studies show that the issue of reflecting lease transactions in financial statements remains one of the most relevant scientific directions in the theory and practice of modern accounting. In particular, new approaches to accounting for lease transactions based on international financial reporting standards allow for increased transparency of financial information and a more accurate assessment of the financial condition of enterprises.

In general, the studied scientific research shows that the issues of reflecting lease transactions in accounting and their reflection in financial statements are widely covered in economic literature. However, the issues of improving the reflection of lease transactions in financial statements, analyzing their economic efficiency, and developing accounting mechanisms based on international standards remain one of the urgent scientific problems. Therefore, this study is aimed at the further development of scientific research in this area by analyzing the reflection of lease transactions in accounting and financial statements.

## **2. Methodology**

In this study, various scientific research methods were used to study the reflection of lease transactions in accounting and their impact on financial reporting indicators. In the research process, theoretical and practical approaches were combined, and modern methods of economic analysis were applied.

The theoretical basis of the research is the scientific works of domestic and foreign scientists on accounting, financial reporting, and lease relations. In particular, existing scientific literature on the economic nature of lease operations, the procedure for their accounting, and their reflection in financial statements was studied and systematized. Also, during the research, methods of analysis and synthesis, comparison, economic-statistical analysis, logical generalization, and graphical representation were widely used. With the help of the analysis and synthesis method, the economic essence of lease operations, the mechanism of their reflection in accounting, and their impact on financial statements were deeply studied. Through the comparison method, the influence of lease operations on financial indicators was studied, and changes in the enterprise's activities were clarified.

## **3. Results**

In a market economy, enterprises use various financial instruments to effectively organize their activities and expand the production process. Lease operations are of great importance as one of these instruments. The lease mechanism allows enterprises to use the

necessary means of production without attracting a large amount of one-time financial resources for the acquisition of fixed assets. Therefore, proper accounting of lease operations and analysis of their impact on financial reporting play an important role in increasing the efficiency of financial management of the enterprise.

The economic essence of lease operations lies in the fact that the lessor provides their property to the lessee for use for a certain period and receives a fixed fee in return. The lessee receives an economic benefit by using this asset in the production process. As a result, the volume of assets used in the production process of the enterprise increases and production efficiency increases.

In the course of the study, the influence of lease operations on financial statements was conditionally studied using the example of the enterprise "Navbahor Textile LLC." This enterprise is engaged in the production of textile products and has attracted modern sewing equipment on the basis of financial lease to expand production capacities. The equipment leased by the enterprise serves to increase production efficiency, reduce production costs, and expand production volumes.

The main indicators of lease operations carried out at the enterprise are presented in the table below.

**Table 1.** Main indicators of lease operations at the enterprise.

Indicators	Quantity
Cost of leased equipment	1,200 million soums
Lease term	5 years
Annual rent	240 million soums
Depreciation period	5 years
Annual interest rate	10%

As can be seen from the table data, the enterprise leased production equipment worth 1.2 billion soums for a period of 5 years. Rent payments are made in equal amounts annually. This transaction is reflected on the enterprise's balance sheet as right-of-use assets and lease liabilities.

In order to determine the impact of lease operations on the financial indicators of the enterprise, a comparative analysis of financial indicators before and after the lease was carried out. The results of the analysis are presented in the table below.

**Table 2.** Influence of lease operations on the financial indicators of the enterprise.

Indicators	Before the lease operation	After the lease operation
Fixed assets	3,500 million soums	4,700 million soums
Liabilities	1,200 million soums	2,100 million soums
Annual production volume	6,000 million soums	7,800 million soums
Net profit	850 million soums	1,120 million soums

As can be seen from the table, after the implementation of the lease operation, the volume of fixed assets of the enterprise increased significantly. At the same time, the amount of liabilities has also increased. However, as a result of the expansion of production volumes, the enterprise's income also increased, and the amount of net profit increased from 850 million soums to 1120 million soums. This indicates that lease operations have had a positive impact on the activities of the enterprise.

One of the important aspects of lease operations is the impact on the company's cash flows. If the company had planned to fully purchase this equipment, it would have had to spend 1,200 million soums simultaneously. And through the lease mechanism, these expenses are carried out in stages over 5 years. This allows maintaining the liquidity level of the enterprise and effectively using available financial resources.

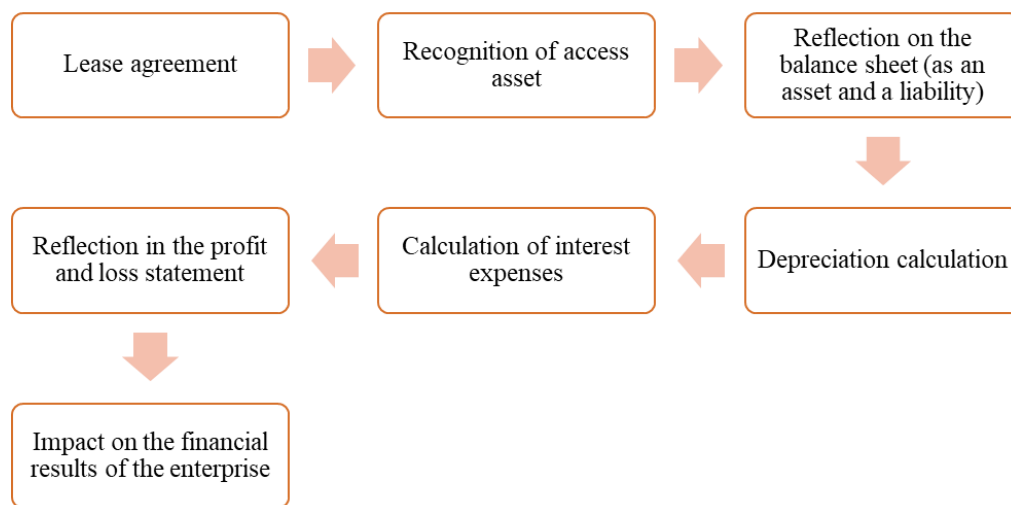
By analyzing the structure of lease payments, the dynamics of depreciation and interest expenses were also studied. The results are presented in the table below.

**Table 3.** Structure and dynamics of lease payments.

Years	Rent	Depreciation	Interest expense
1 year	240 million soums	240 million soums	120 million soums
2 years	240 million soums	240 million soums	96 million soums
3 years	240 million soums	240 million soums	72 million soums
4 years	240 million soums	240 million soums	48 million soums
5 years	240 million soums	240 million soums	24 million soums

As can be seen from this table, although lease payments are made in equal amounts each year, interest expenses decrease over the years. This leads to a gradual change in the structure of enterprise expenses.

The impact of lease operations on financial statements can be represented by the following scheme.



**Figure 1.** The process of reflecting lease transactions in financial statements.

This scheme represents the stages of reflecting lease transactions in accounting. First, a lease agreement is concluded, and then the leased asset is recognized on the enterprise's balance sheet as an asset with the right of use. Subsequently, depreciation is calculated on this asset, and interest expenses on lease liabilities are determined. These expenses are reflected in the profit and loss statement and affect the financial results of the enterprise.

As a result of the analysis conducted, the following positive impacts of lease operations on the enterprise's activities were identified:

- Expansion of production capacities;
- Technical renewal of fixed assets;
- Increasing the possibility of efficient use of financial resources;
- Increase in production volumes;

- Increase in enterprise income and profit indicators.

However, there are also some negative aspects of lease operations. In particular, the enterprise's liabilities will increase, and the level of financial leverage may increase. This, in some cases, creates the possibility of influencing the financial stability of the enterprise. Therefore, before carrying out lease operations, enterprises must thoroughly analyze their economic efficiency.

In general, the analysis conducted showed that lease operations are an important financial instrument in the development of enterprise activities. A properly organized lease policy serves to increase the production efficiency of the enterprise, strengthen its financial stability, and ensure the transparency of financial reporting.

As a result, by improving the accounting of lease operations, it is possible to increase the efficiency of financial management at enterprises, increase investment attractiveness, and more reliably generate financial statements.

#### 4. Discussion

The results of the conducted research show that lease operations are an important economic tool for the effective use of financial resources of enterprises and the expansion of production capacities. In the context of a modern market economy, many enterprises prefer to use a lease mechanism instead of purchasing fixed assets in full. The main reason for this is the possibility of organizing the production process without large one-time capital investments by the enterprise.

In the course of the study, the analysis conducted using the example of LLC "Navbahor Textile" showed that attracting production equipment on the basis of financial lease had a positive impact on the main economic indicators of the enterprise's activities. In particular, after the implementation of lease operations, the volume of fixed assets of the enterprise increased from 3500 million soums to 4700 million soums. This means that the production potential of the enterprise has significantly expanded. At the same time, an increase in the volume of liabilities is observed in the financial statements. This is explained by the fact that financial lease operations are recognized as assets and liabilities in accordance with international financial reporting standards.

These results are consistent with the ideas presented in the scientific literature. In particular, G.I. Alekseeva, in her research, noted that the introduction of international financial reporting standards will increase the transparency of financial reporting and allow for a clear reflection of lease obligations [11]. Also, in the research conducted by V.S. Plotnikov and O.V. Plotnikova, IFRS 16 "Lease" substantiates the need to radically change the system of accounting for lease transactions and reflect leased assets and liabilities in the balance sheet [12]. The results of this study also confirm these scientific conclusions.

Another important change in the activities of the enterprise is associated with an increase in production volumes. According to the research results, after the implementation of lease operations, the annual production volume of the enterprise increased from 6000 million soums to 7800 million soums. This shows that the lease mechanism is an effective tool for expanding production capacities and ensuring technical renewal. In particular, attracting modern production equipment on the basis of financial lease serves to increase the efficiency of the production process at the enterprise.

At the same time, the research results showed that lease operations also had a positive impact on the financial results of the enterprise. In particular, the company's net profit increased from 850 million soums to 1120 million soums. This means that the means of production attracted on a lease basis served to increase the profitability of the enterprise. This situation also coincides with the ideas put forward by Lisovsky and Minnis. In their research, it was emphasized that the correct reflection of business transactions in financial

statements is an important source of information for assessing the activities of enterprises and making economic decisions [13].

However, there are some financial aspects to lease operations. In particular, the reflection of lease liabilities in the balance sheet leads to an increase in the volume of enterprise liabilities. This, in some cases, can affect the level of financial leverage of the enterprise. As a result, these factors must be taken into account when assessing the financial stability and creditworthiness of the enterprise.

The results of the study also showed that lease operations play an important role in managing cash flows. If the enterprise had planned to fully purchase production equipment, it would have had to spend 1.2 billion soums at once. And through the lease mechanism, these expenses will be carried out in stages over 5 years. This allows maintaining the liquidity level of the enterprise and the effective use of financial resources.

In general, the analysis conducted shows that lease operations are an important economic mechanism for increasing the production potential of enterprises, the effective use of financial resources, and the expansion of economic activity. At the same time, the correct reflection of these operations in accounting and their transparent presentation in financial statements is of great importance in assessing the real economic state of the enterprise's activities.

## 5. Conclusion

In this study, the issues of accounting for lease operations in financial statements and their analysis were studied. In the course of the study, the economic essence of lease relations, the procedure for their reflection in accounting, as well as their influence on financial reporting indicators were analyzed. The conducted scientific analysis showed that lease operations are an important economic tool for the development of production activities of enterprises, the expansion of production capacities, and the effective use of financial resources.

According to the research results, the attraction of fixed assets by enterprises on a lease basis has important advantages in organizing the production process. In particular, the lease mechanism allows enterprises to use the means of production without incurring large one-time capital expenditures. As a result, enterprises will be able to more effectively distribute their financial resources and increase production volumes.

Analysis conducted using the example of LLC "Navbahor Textile" showed that the attraction of production equipment on the basis of financial lease had a positive impact on the main economic indicators of the enterprise's activities. In particular, the enterprise's production volume and net profit indicators have increased, production capacities have expanded, and the overall efficiency of the enterprise's activities has increased. At the same time, the correct reflection of lease transactions in accounting plays an important role in ensuring the reliability of financial statements.

During the study, the influence of lease operations on financial statements was also analyzed. The results showed that reflecting lease operations in the balance sheet as assets and liabilities based on international financial reporting standards serves to more accurately reflect the financial condition of the enterprise. This increases the transparency of financial reporting and is an important source of economic information for investors and creditors.

At the same time, the research results also revealed some financial aspects of lease operations. In particular, the reflection of lease liabilities in the balance sheet can lead to an increase in the volume of enterprise liabilities. This, in some cases, can affect the financial stability of the enterprise. Therefore, before carrying out lease operations, enterprises must thoroughly analyze their economic efficiency.

Based on the research results, the following scientific proposals and practical recommendations were developed:

- It is advisable to improve the process of reflecting lease operations in accounting at enterprises based on international financial reporting standards, in particular, the requirements of IFRS 16 "Lease";
- When assessing the impact of lease operations on financial results, it is necessary to further develop the system of economic analysis at enterprises and widely use analytical indicators;
- It is necessary to increase the accuracy and efficiency of financial information by digitalizing the process of accounting for lease operations at enterprises and using modern information technologies;
- It is recommended to widely use investment analysis and financial planning methods in order to determine the economic efficiency of lease operations before their implementation;
- By improving the internal control system for lease operations at enterprises, it is possible to reduce financial risks.

Thus, the correct organization of lease operations in accounting and their accurate reflection in financial statements plays an important role in increasing the economic efficiency of enterprises. At the same time, accounting for these transactions based on international standards serves to increase the transparency of financial statements and provide reliable information in the process of making economic decisions.

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