



Article

Organization of Accounting for Expenses and Income in Small Businesses

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Abstract: Small businesses play a pivotal role in Uzbekistan's economy by fostering employment, expanding entrepreneurial activities, and enhancing local income generation. As such, the financial sustainability of these enterprises heavily relies on transparent and accurate accounting practices. This paper examines the organization of accounting for expenses and income in small businesses, with a focus on the service sector in the Namangan region. Using comparative, economic-statistical, and document analysis methods, the study explores how proper classification of expenses, income recognition, and real-time reporting can improve decision-making and fiscal discipline. Findings reveal that over 2020–2024, the service sector in Namangan demonstrated substantial growth—total service volume increased almost fivefold—driven by expansion in accommodation, education, trade, and transport services. The application of national (BHMS) and international (IFRS for SMEs) standards remains inconsistent, underscoring the need for harmonization and capacity building. Regional disparities in service income and expense composition also reflect challenges in cost control and tax reporting. The study proposes modernizing accounting practices through automation, segmented reporting by service type, and enhanced audit controls. These measures can strengthen the investment climate, improve tax transparency, and support broader economic development objectives. Ultimately, this work contributes to a better understanding of how accounting reforms can boost the operational efficiency of small enterprises in emerging economies.

Keywords: Small business, accounting, cost accounting, income accounting, financial results, taxation, chart of accounts, simplified accounting, reporting period, depreciation expenses, accounting policy, financial control, electronic calculations, accounting based on standards, audit and analysis

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1. Introduction

In today's globalization and digital economy, small businesses have become one of the priority areas of the country's economy. Their effective operation directly affects economic growth, employment, tax revenues, and the growth of local production potential. International practice shows that the success of small and medium-sized businesses (SMEs) largely depends on financial management, in particular, the proper organization of accounting for expenses and income[1].

Accounting for expenses and income, their control, analysis, and effective management are considered one of the main factors in determining the financial results of an enterprise, increasing its competitiveness, and strengthening its investment attractiveness. The relevance of the topic is increasing, especially in the current economic climate. For example, the "Doing Business" report published by the World Bank in 2023

noted that the low level of accounting transparency and tax reporting accuracy in small enterprises threatens their financial stability[2].

The United Nations Development Program (UNDP) also puts forward in its reports the need to bring financial reporting practices in small businesses into line with international standards[3]. This requires the introduction of a modern accounting system in the activities of small entities, the development of clear procedures and methodologies for accounting for expenses and income.

The Resolution of the President of the Republic of Uzbekistan No. PQ-361 "On Measures to Develop and Support Small Businesses", adopted on August 22, 2022, stipulated the widespread introduction of simplified accounting systems for small businesses, automation of financial reporting and their online submission to tax authorities[4]. At the same time, with the introduction of the "Single Financial Account" platform from 2023, small entrepreneurs will have the opportunity to keep their expenses and income under clear control[5].

In a context of widespread implementation of international accounting standards, it has become an urgent issue to improve the financial performance of small businesses by harmonizing national accounting with international standards, making them open and reliable for foreign investors. This study aims to cover these important aspects and provide an in-depth analysis of modern approaches to accounting for expenses and income in small businesses.

LITERATURE ANALYSIS ON THE TOPIC

Organization of accounting for expenses and income in small businesses is one of the main directions in the sustainable development of the modern economy. International and local sources on the topic deeply reveal the theoretical and practical foundations of this area.

The OECD report "Entrepreneurship at a Glance 2022" emphasizes that the weakness of the financial information system and accounting in small businesses has a direct negative impact on their growth rate. The report also notes that incorrect accounting of income and expenses can expose small businesses to investment risk [6].

The World Bank's "Doing Business 2020" report, using the example of Uzbekistan, provides a detailed description of the legal and technical infrastructure limitations in financial reporting by small businesses. According to it, simplified accounting procedures can serve as a significant relief for small businesses, but they need to be combined with electronic digital systems [7].

A document published by UNCTAD (United Nations Conference on Trade and Development) in 2023 indicated that the lack of digital accounting in small and medium-sized businesses negatively affects the reliability of income and expense accounting. They recommended accelerating digital transformation to address this problem [8].

At the national level, economists A.S. Jo'rayev and M.M. Sodiqov analyzed the specific features of small business accounting and emphasized that financial results can be accurately expressed through the correct classification of expenses and recognition of income [9].

Also, the textbook "International Financial Reporting Standards" covers the rules for preparing and presenting financial information based on international standards (IFRS) in accounting for income and expenses. The use of the IFRS for SMEs standard, which is especially relevant for small businesses, is considered relevant [10].

The BHMS Standard No. 2 "Revenue", posted on the official website of the Ministry of Finance of the Republic of Uzbekistan, defines national approaches to accounting, recognizing and documenting income in small business enterprises. This standard requires the recognition of income in a specific time and legal basis [11], [12], [13]. Based on the above analysis, it can be concluded that accurate and standard accounting of expenses and income in small business entities is a decisive factor in ensuring financial transparency, investment attractiveness and fairness in taxation.

2. Materials and Methods

In this study, a combination of qualitative and quantitative research methods was employed to comprehensively examine the organization of accounting for expenses and income in small business entities, particularly within the service sector of Namangan region. The research methodology is structured to analyze both theoretical underpinnings and real-world accounting practices.

Firstly, the comparative method was applied to evaluate differences between national and international accounting standards, particularly focusing on the IFRS for SMEs and the national BHMS standards. This helped identify conceptual and practical discrepancies that small businesses in Uzbekistan may encounter while implementing modern accounting systems. Secondly, the economic-statistical method was used to examine trends in the growth of service-based income and expenditures across Namangan region from 2020 to 2024. Data were collected from official statistical bulletins and accounting reports of local enterprises. These data allowed for year-on-year comparisons and calculation of growth rates, cost structures, and profitability dynamics.

3. Results and Discussion

At the modern stage of development of the economy of Uzbekistan, increasing the role of the service sector is of strategic importance, and this process is especially evident in the example of the Namangan region. Within the framework of the economic reforms being carried out in the country, the service sector is considered one of the main factors in stimulating economic growth, ensuring employment and improving the quality of life. Diversification of the service sector, rapid development in areas such as financial services, trade, transport, education, etc., make a significant contribution to the sustainable economic development of the regions [14].

Over the past five years, the service sector in the Namangan region has consistently developed and significantly expanded its share in the structure of the economy. During this period, the growth in the volume of services, the structural diversification of types of services, and the increase in the volume of services across districts confirm the stable development of the regional economy and the increasingly comprehensive needs of the population.

In the service sector, the main functions of accounting — determining income and expenses, calculating financial results, and determining the taxable base — are of decisive importance [15]. In particular, in the activities of small businesses, revenues from the provision of services are formalized through account 90, period expenses related to services (account 94), and the result of the main activity (account 99).

The indicators formed on the basis of accounting reports can be analyzed in the following areas for the services sector:

- year-on-year growth in the volume and share of services,
- dynamics of the structure of types of services,
- territorial differences in the provision of services by district,
- composition of expenses and income related to services.

This analysis includes financial information formed in the services sector in the Namangan region and its districts for the period 2020–2024. The information presented in tabular form is aimed at clearly showing the increase in service revenues, cost efficiency and the distribution of profit indicators by region.

Based on the analysis presented, the stability of service revenues and cost-effectiveness are assessed from an accounting perspective when formulating further strategic decisions. The following tables are compiled based on these criteria.

Today, the service sector has become one of the main factors of economic development in the Namangan region. To assess the development trend of this sector in the region, statistical data formed during 2020–2024 were taken as a basis, and the dynamics in this regard were analyzed in four main areas.

From 2020 to 2024, the total volume of services increased from 8881.8 billion soums to 43090.6 billion soums. During this period, the average annual growth rate of the total volume of services was 115.2%. In particular, in 2024, the volume of services increased by 112.3% compared to the previous year, reaching a record level, see Table 1. These indicators are associated with the increasing demand for services in the regional economy and are the result of the growth of incomes and the diversification of the economy.

Table 1. Total volume of services in Namangan region (billion soums, 2020-2024)

Year	Total volume of services (billion soums)	Growth rate (%)
2020.0	8881.8	103.3
2021.0	11783.5	132.7
2022.0	14722.6	116.6
2023.0	17822.9	111.1
2024.0	43090.6	112.3

Source: Author's work based on data from the Namangan Regional Department of Statistics.

During 2020–2024, the total volume of services increased from 8881.8 billion soums to 43090.6 billion soums. This indicates a 4.9-fold increase in the volume of services. In particular, the high growth rate observed in 2024 (112.3%) indicates a significant increase in the economic activity of the region.

High growth rates were recorded for the main types of services during 2020–2024. Educational services had the highest growth rate (122.4%) in 2024, which is associated with the improvement of the quality of education and the expansion of the activities of public and private educational institutions. High growth rates were also observed in transport services (118.1%), trade services (113.7%) and financial services (112.1%), see Table 2. The rapid development of these sectors means that they play an important role in increasing economic activity and ensuring employment in the region.

Table 2. Growth rates of main types of services (in %, 2020-2024)

Types of services	2020	2021	2022	2023	2024
Trade services	99.7	128.6	117.4	109.1	113.7
Transport services	99.9	130.2	107.5	114.3	118.1
Financial services	127.5	131.6	126.6	112.3	112.1
Educational services	113.3	125.8	126.7	127.4	122.4

Source: Author's work based on data from the Namangan Regional Department of Statistics.

During this period, the main types of services have consistently grown at high rates. In particular, educational services had the highest growth rate in 2024 (122.4%). Transport services (118.1%), trade services (113.7%) and financial services (112.1%) also developed rapidly. These indicators reflect the expansion of the regional economy and the growing demand of the population.

According to the results of 2024, accommodation and catering services took the leading place in the structure of services, accounting for 42.2% of the total volume of services. The high share of this type of service reflects the high level of tourism, hospitality and domestic consumer demand in the region. Trade services (18.8%), transport services (11.6%) and financial services (8.2%) also account for a significant share, see Table 3. The share of communication and information services reached 2.9%. Structural changes indicate increasing diversity in the service market and an ever-expanding range of public demands for services.

Table 3. Composition by type of services (in%, 2024)

Types of services	Share (%)
Trade services	18.8

Transport services	11.6
Financial services	8.2
Accommodation and catering services	42.2
Communication and information services	2.9

Source: Author's work based on data from the Namangan Regional Department of Statistics.

At the end of 2024, accommodation and catering services took the leading place in the structure of services (42.2%), demonstrating that they are the main type of service in the economy of the region. Trade services (18.8%), transport services (11.6%), and financial services (8.2%) also play an important role in the structure of services. The share of communication and information services was 2.9%. This formation of the structure of services indicates that it is adapted to the needs of the population and the development of economic infrastructure.

The development of services across the regions of the region was uneven, but consistent. The highest growth rate in the volume of services in 2024 compared to 2020 was observed in the city of Namangan, which amounted to 181.9%. This is due to the economic development of the city, urbanization processes, and high population density. High growth was also observed in the Uychi (155.5%) and Chust (153.8%) districts. In Pop and Chartok districts, the growth rate was 135%, respectively, see Table 4. These indicators confirm the potential for regional diversification and sustainable development through the service sector in the regional economy.

Table 4. Volume of services by district (billion soums, 2020 and 2024)

Districts	2020	2024	Growth rate (%)
Namangan city	3208.0	9042.8	181.9
Pop	592.8	1393.3	135.0
Chust	613.4	1556.7	153.8
Uychi	535.6	1368.3	155.5
Chortoq	520.2	1222.1	135.0

Source: Author's work based on data from the Namangan Regional Department of Statistics.

The most significant increase in the volume of services by district was recorded in Namangan city (181.9%), i.e. the volume of services increased from 3208.0 billion soums in 2020 to 9042.8 billion soums in 2024. Uychi and Chust districts also showed high growth rates, 155.5% and 153.8%, respectively. Pop and Chartok districts are developing steadily with a growth rate of 135%. These facts indicate that regional development in the services sector is taking place on a large scale and that employment is improving evenly across the region.

Based on the analytical work carried out, the following results were achieved on the development of the services sector in Namangan region:

Firstly, a high and stable growth in the total volume of services was observed. From 2020 to 2024, the total volume of services in Namangan region increased significantly, reaching 43,090.6 billion soums from 8,881.8 billion soums. These indicators indicate that the volume of services has increased almost 5 times over five years. In particular, high growth rates were recorded in 2021, with an increase of 132.7% and 2024, with an increase of 112.3%. This confirms that the services sector is the most dynamically developing sector in the regional economy.

Secondly, there was a diversification in the growth rates of types of services. The results of the analysis showed that stable high growth rates in the main areas of services were observed in educational services (122.4%), transport services (118.1%), trade services (113.7%) and financial services (112.1%). The rapid development of these sectors indicates the growing lifestyle and economic activity of the population. In particular, the high

growth in educational services indicates the effectiveness of state policy in the region to develop human capital and provide the younger generation with quality education.

Thirdly, there have been significant changes in the structure of services. According to the results of 2024, accommodation and catering services occupied the highest share (42.2%) in the structure of services in the region. The leading position of these services in the total volume indicates the growing demand of the population for recreation and domestic tourism. At the same time, trade services (18.8%), transport services (11.6%) and financial services (8.2%) also occupied significant shares. Communication and informatization services accounted for 2.9% of the total structure of services, indicating the development of the digital economy.

Fourthly, the volume of services by region has significantly increased and developed. Territorial analysis showed a significant increase in the volume of services in all districts of the Namangan region. In particular, the city of Namangan is the leader in the growth rate of the volume of services, this indicator was 181.9%. This indicates the acceleration of urbanization and urbanization processes. Uychi district (155.5%), Chust district (153.8%), Pop and Chartok districts (135%) also recorded high indicators. This means that these regions have achieved significant progress in meeting the needs of the population by expanding the types of services and organizing new service facilities. Fifth, the level of economic activity and employment in the services sector has increased. As a result of the expansion of the services sector, economic activity has increased at the regional level, and the services sector has begun to play an important role in ensuring employment of the population. In particular, the rapid development of such types of services as accommodation and catering, trade, education and transport has allowed the creation of new jobs and achieving economic stability.

4. Conclusion

This study analyzed the accounting data of the Namangan region's service sector from 2020 to 2024 to assess income dynamics, cost structures, and financial reporting outcomes. The findings reveal a nearly fivefold increase in service revenue over five years, led by rapid development in accommodation, education, trade, and transportation services. Period costs, particularly those recorded through Account 94, have shown strong correlation with the expansion of specific service types, impacting profitability and financial stability. Changes in service structure also require updated classification methods within accounting systems. Regional differences in growth emphasize the need for localized cost tracking and tailored accounting policies. The adoption of automated accounting software, such as 1C, has begun to improve discipline and data reliability, but broader digitalization is essential. To enhance fiscal transparency and efficiency, the study recommends: (1) strengthening segment-based cost-income accounting; (2) expanding digital infrastructure; (3) implementing service clusters to address regional disparities; and (4) developing infrastructure for high-growth sectors like tourism and hospitality. These improvements are essential to refine tax base calculations, improve policy decisions, and support long-term development goals through evidence-based financial management in the SME sector.

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