

Article

Improving the Recognition, Classification, and Accounting of Assets and Capital Investments in Accordance With International Standards

Egamberdiyeva Salima Rayimovna*¹

1. Acting professor of the department of "Accounting and audit, PhD in economics, Karshi state technical university

*Correspondence: alimaegamberdiyeva147@gmail.com

Abstract: This study examines the recognition, classification, measurement, and accounting treatment of investment-related assets and capital investments in accordance with International financial reporting standards (IFRS). The research employs comparative analysis, systematic analysis, synthesis, and logical generalization to identify methodological differences between international standards and national accounting practices in Uzbekistan. Particular attention is given to investment property, long-term biological assets, right-of-use assets, and the capitalization of related expenditures. The study proposes improvements to the national chart of accounts, including the modification of existing accounts and the introduction of additional analytical accounts for specific asset categories. The proposed methodological framework aims to enhance the accuracy of asset classification, strengthen accounting controls over capital investments, and improve the transparency, reliability, and comparability of financial reporting.

Keywords: International financial reporting standards (IFRS), capital investments, investment-related assets, investment property, biological assets, right-of-use assets, asset recognition, asset classification, capitalization of expenditures, analytical accounting, financial reporting.

Citation: Rayimovna E. S. Improving the Recognition, Classification, and Accounting of Assets and Capital Investments in Accordance With International Standards. Academic Journal of Digital Economics and Stability 2026, 39(4), 822-838.

Received: 20th Jul 2026
Revised: 15th Aug 2026
Accepted: 04th Sep 2026
Published: 20th Oct 2026



Copyright: © 2026 by the authors. Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>)

1. Introduction

In the current economic environment, business entities are increasingly allocating financial resources to the acquisition and development of assets expected to generate future economic benefits. This trend has intensified the need to recognize, measure, and account for transactions involving investment-related assets and capital expenditures in accordance with International Financial Reporting Standards (IFRS).

Enterprises commit substantial financial resources to implementing investment projects, constructing new production facilities, expanding production capacities, modernizing and reconstructing existing property, plant and equipment, and upgrading their technological capabilities. The appropriate classification of these expenditures according to their economic substance and their accurate recognition in accounting records constitute essential components of an effective accounting system.

Consequently, establishing clear criteria for the capitalization of expenditures, accurately determining the initial cost of the resulting assets, and ensuring their faithful representation in financial statements are of particular importance. Compliance with these requirements contributes to an objective assessment of an enterprise's financial position.

Furthermore, improving accounting practices for investment-related assets and capital expenditures in accordance with international standards enhances the transparency and reliability of financial information and establishes a sound information base for informed managerial decision-making.

In international accounting practice, the recognition and measurement of assets play a fundamental role in ensuring the reliability, transparency, and comparability of financial statements. Under the IFRS framework, determining whether capital expenditures qualify for recognition as assets requires consideration of their economic substance, the expected inflow of future economic benefits, and the applicable recognition and measurement requirements. These considerations are essential for distinguishing expenditures that qualify for capitalization from those that must be recognized as expenses in the reporting period.

In this context, particular attention must be given to distinguishing investment-related assets and capital expenditures from current operating expenses, determining their initial measurement, and establishing appropriate subsequent measurement procedures. Accurate classification and measurement are necessary to ensure that the carrying amounts of assets are faithfully presented under the relevant items in the financial statements. Accordingly, improving the methodological framework for accounting for investment-related assets and capital expenditures in compliance with IFRS represents a significant issue from both theoretical and practical perspectives.

International accounting practice identifies the classification of accounting objects according to their economic substance and the consistent application of recognition criteria as important directions for improving the accounting treatment of investment-related assets and capital expenditures. Various methodological challenges arise when accounting for expenditures incurred in construction, reconstruction, modernization, technological upgrading, the introduction of advanced technologies, and the implementation of other investment projects. One of the most significant challenges involves determining which expenditures should be included in the cost of an asset being constructed or improved and which should be recognized as expenses in the reporting period in which they are incurred.

Addressing these challenges requires a consistent methodological approach to accounting for capital investments, measuring the costs of assets under construction, and determining the initial cost of completed assets when they become available for their intended use. Therefore, particular emphasis should be placed on establishing clearly defined criteria for the classification, measurement, and accounting treatment of expenditures associated with investment-related assets and capital investments. Such an approach contributes to the accurate measurement and faithful representation of these assets in financial statements, thereby improving the quality, consistency, and decision-usefulness of financial reporting.

2. Research Methodology

This study employs a qualitative research approach based on comparative analysis, systematic analysis, synthesis, classification, and logical generalization. The methodological framework involves examining International financial reporting standards (IFRS), particularly IAS 16, IAS 40, IAS 41, IFRS 16, and IAS 36, in comparison with the National accounting standards of Uzbekistan, with particular emphasis on NAS 21 [42–46].

The research focuses on identifying methodological differences in the recognition, classification, measurement, and accounting treatment of investment-related assets, capital investments, biological assets, and right-of-use assets. Particular attention is given to distinguishing capitalizable expenditures from current-period expenses and improving the analytical structure of the national chart of accounts.

Based on the comparative assessment of international and national accounting requirements, the study develops methodological recommendations for improving asset classification, introducing additional analytical accounts, and enhancing the transparency, reliability, and comparability of financial reporting.

In contemporary economic literature, land, labor, capital, and entrepreneurship are widely recognized as the four fundamental factors of production. Among these factors, capital represents one of the most extensively examined economic concepts, owing to its essential role in production, investment activities, and sustainable economic development.

In Uzbekistan, the legal framework governing the organization and maintenance of accounting records, including equity accounting, is established by the Law of the Republic of Uzbekistan On Accounting. This legislation provides the fundamental regulatory basis for accounting practices and the preparation of financial information.

The theoretical and practical aspects of accounting for non-current assets have been investigated by numerous international and domestic scholars. In particular, M.R. Gozieva [1] and P.I. Kamyshanov and A.P. Kamyshanov [2] have examined issues related to non-current assets and financial stability within the framework of international accounting standards. Similarly, Uzbek researchers, including A. Karimov [3], A. Ibragimov, I. Ochilov, I. Quziyev, N. Rizayev [4], N.B. Abdusalomova and F.T. Temirov [5], N. Jurayev [6], S.N. Tashnazarov [7], R.D. Dusmuratov [8] and Sh.T. Ergasheva [9] have addressed various theoretical, methodological, and practical aspects of accounting for non-current assets.

Despite these contributions, several methodological and practical issues require further investigation. Existing studies have provided valuable theoretical perspectives and general accounting approaches; however, certain challenges encountered in enterprise accounting practices remain insufficiently addressed. These include the revaluation of non-current assets, the selection of appropriate depreciation methods, and the assessment of their effects on financial performance. The accounting implications of these issues continue to generate methodological discussions, particularly in relation to the consistency and reliability of financial reporting.

Furthermore, the comprehensive implementation of International Financial Reporting Standards (IFRS) within the national accounting and regulatory framework remains a complex process. Improving accounting practices for non-current assets requires a thorough understanding of international recognition and measurement principles, together with the development of effective mechanisms for their practical application. Accordingly, further research in this area is essential not only for advancing theoretical knowledge but also for addressing accounting challenges encountered by enterprises and strengthening the quality of financial reporting.

The existing literature examines non-current asset accounting from various perspectives. Research conducted by domestic scholars has primarily addressed the initial recognition and measurement of assets, the selection of depreciation methods, and the implications of accounting policies for enterprises' financial results. Particular attention has been devoted to the methodological foundations of asset valuation and the application of accounting procedures within the national regulatory environment.

More specifically, Sh.S. Muzrapova [10] has investigated the transformation of investment property accounting practices in accordance with international standards. Similarly, Z.U. Mukhammadiyev [11], S.R. Egamberdiyeva [12, 13], Tatyana Shalunova [14] and A.Z. Avlokulov [15] have examined issues related to the appropriate accounting treatment of investment property, emphasizing the importance of accurate recognition, measurement, and financial reporting.

International researchers have also explored broader methodological approaches to accounting for investment-related assets within the IFRS framework. B.G. Ganin [16] has

addressed issues associated with asset revaluation and the improvement of depreciation accounting in accordance with international standards. In addition, Chen Chen, Kin Lo, Desmond Tsang and Jing Zhang [17], as well as E.S. Druzhilovskaya [18], have investigated various aspects of investment-related asset accounting, providing perspectives relevant to financial reporting quality, asset measurement, and investment decision-making.

A comparative examination of the reviewed literature suggests that domestic and international research has contributed to the development of both theoretical and practical approaches to accounting for non-current assets and investment property. Nevertheless, further investigation is required to establish a more integrated methodological framework for recognizing, classifying, and measuring investment-related assets and capital expenditures in accordance with international standards.

In particular, insufficient attention has been devoted to the consistent distinction between capitalizable expenditures and current-period expenses, the determination of the initial cost of assets under construction or modernization, and the accounting treatment of subsequent expenditures. These issues are especially relevant for enterprises implementing large-scale investment projects, expanding production capacities, and modernizing existing assets.

Therefore, the identified research gap highlights the need to improve the methodological foundations of accounting for investment-related assets and capital investments by integrating national accounting practices with internationally recognized principles. Such integration can contribute to more consistent asset recognition and measurement, greater transparency and comparability of financial statements, and more reliable information for investment and managerial decision-making.

3. Analysis and Results

The modernization of Uzbekistan's economy, the development of its investment environment, and the expanding opportunities for domestic enterprises to access international capital markets have increased the importance of preparing financial statements in accordance with International Financial Reporting Standards (IFRS). In this context, the appropriate accounting treatment of investment-related transactions, the classification of capital investments according to their economic substance, and the faithful presentation of relevant information in financial statements have become significant priorities.

Particular attention should be devoted to the consistent allocation of expenditures to the appropriate accounting objects throughout the investment cycle, from the initiation of a project to the point at which the resulting asset becomes available for its intended use. Such an approach facilitates the identification of capital investment components, the accurate determination of asset costs, and the faithful representation of the economic substance of investment activities. Accordingly, improving the methodology for accounting for capital investments and addressing the associated practical challenges require systematic scientific investigation.

Uzbekistan has undertaken reforms aimed at aligning national accounting practices with international standards, improving financial reporting quality, strengthening enterprises' investment attractiveness, and providing investors with reliable financial information. Nevertheless, further methodological alignment remains necessary in the recognition, measurement, accounting, and disclosure of investment-related assets and capital investments. Examining these issues in light of international standards is therefore relevant from both theoretical and practical perspectives.

Accounting for capital investments involves a set of interrelated processes, including establishing asset recognition criteria, determining initial and subsequent measurement bases, assessing the capitalization of expenditures, accounting for assets under

construction, recognizing assets when they become available for use, commencing depreciation or amortization where applicable, and assessing impairment. Capital investment accounting should therefore be understood not merely as the accumulation of expenditures but as an integrated information system reflecting the successive stages through which investment-related assets are developed and recognized.

Capital investments are closely associated with the acquisition, construction, development, and improvement of non-current assets. To clarify their economic substance and their role in financial accounting, it is necessary to examine the interpretations proposed in domestic and international literature.

A review of the literature reveals two broad approaches. Scholars including Charles T. Horngren, Gary L. Sundem, and John A. Elliott [19], S.N. Tashnazarov [7], K.B. Urazov and M.E.Pulatov [20], O. Bobojonov [21], F.G. Gulomova [22] and A.A. Karimov, J.K. Kurboboyev and S.A. Jumanazarov [3] associate capital investments primarily with expenditures incurred to acquire or create property, plant and equipment and other non-current assets. Another group, represented in the source material by A.A. Karimov [3], A.S. Neshitoy [23] and S.V. Vohidov, places greater emphasis on expenditures directed toward the expansion and renewal of productive capacity.

The range of assets addressed by international financial reporting requirements extends beyond conventional categories of property, plant and equipment and intangible assets. Depending on the nature of an entity's transactions, relevant categories may include right-of-use assets, investment property, and biological assets. These categories are governed by different recognition and measurement requirements, and their inclusion in a broader discussion of capital investment accounting should not be interpreted as implying that all related expenditures are capitalizable under a single rule.

On the basis of the perspectives reviewed, the following broader working definition may be proposed: capital investments comprise expenditures incurred in acquiring, constructing, developing, or qualifying improving non-current assets, including property, plant and equipment, intangible assets, and other assets within the scope of the applicable accounting standards, insofar as those expenditures satisfy the relevant requirements for recognition as part of an asset's cost. This definition emphasizes the economic substance of the transaction rather than the amount spent alone.

S.N. Tashnazarov [7] explains capital expenditures in terms of improvements that enhance an asset's quality, performance, or useful life, including expenditures associated with major repairs or improvements. His interpretation highlights the distinction between expenditures that improve an asset's service potential and routine maintenance costs. From an IFRS perspective, however, capitalization depends on the recognition requirements of the applicable standard; an increase in an asset's usefulness does not, by itself, establish that every associated expenditure should be capitalized.

Horngren, Sundem, and Elliott [19] associate capital expenditures with the acquisition of new property, plant and equipment or with improvements that increase the capacity, efficiency, or useful life of existing assets. Similarly, Weygandt, Kimmel and Kieso [24] characterize capital expenditures as costs that enhance an asset's operating efficiency or extend its useful life. These interpretations emphasize the prospective economic benefits associated with qualifying expenditures.

A.S. Neshitoy [23] defines capital investments as real investments in fixed capital, encompassing new construction, expansion, reconstruction, technological re-equipment, the acquisition of machinery and equipment, design and survey work, and related expenditures. I.V.Sergeev and I.I. Veretennikova [25] likewise link capital investments to fixed-capital formation through the construction of buildings and structures, the acquisition and installation of machinery and equipment, commissioning activities, and design and survey services.

V.V. Kovaleva, V.V. Ivanova, and V.A. Lyalina [26] also consider capital investments to be investments in fixed capital, including new construction, expansion, reconstruction, technological modernization, and expenditures on machinery, equipment, tools, inventories, and project-related studies. B.S. Mamatov, D. Yu. Khujamkulov and O.Sh. Nurbekov [27] adopt a broader economic perspective, identifying capital investments as resources allocated to the creation and reproduction of fixed assets and to the development of other forms of material production.

D.G. Gozibekov [28] draws attention to the conceptual distinction between investment, capital investment, and capital. The author notes that these terms are sometimes used interchangeably in economic literature, particularly when investment is understood narrowly as the allocation of resources to fixed capital. However, investment is a broader category that may also encompass intangible assets, intellectual property, current assets, and financial resources. This distinction is important because the scope of investment activity is not identical to the scope of expenditures recognized as the cost of non-current assets in financial reporting.

A.A. Karimov, F.R. Islomov and A.Z. Avloqulov [29] describe capital investments as expenditures associated with the expanded reproduction of property, plant and equipment and improvements in their qualitative characteristics. O. Bobojonov [21] similarly links capital investments to the construction, acquisition, reconstruction, expansion, and technological upgrading of fixed assets. A.S. Sotivoldiyev [30] identifies expenditures on new construction, the purchase of fixed assets, reconstruction, capacity expansion, and technical re-equipment as principal components of capital investments.

F.G. Gulomova [22] places particular emphasis on expenditures associated with the construction and acquisition of new assets. A. Ibragimov, I. Ochilov, I. Quziyev and N. Rizayev [4] discuss capital expenditures on property, plant and equipment and other non-current assets within the national accounting system, particularly the 0800 series of accounts. This account-based interpretation provides an operational perspective on the accumulation and classification of investment-related costs.

National accounting standard No. 21 [31], as described in the source material, provides for the accumulation of information relating to investments in property, plant and equipment and intangible assets, as well as expenditures on establishing the principal herd of productive and working animals, subject to specified exclusions. This treatment illustrates the importance of distinguishing the structure of national accounting accounts from the recognition and measurement requirements applied when preparing IFRS financial statements.

P.I. Kamyshanov and A.P. Kamyshanov [2] describe capital investments as long-term expenditures associated with the creation, acquisition, and renewal of property, plant and equipment. Taken together, these definitions provide a substantial foundation for understanding capital investments, although they differ in their emphasis on asset acquisition, productive capacity, and the renewal of fixed capital.

The comparative analysis indicates that many traditional definitions focus predominantly on expenditures incurred to acquire or create property, plant and equipment and intangible assets. Such definitions do not fully capture the diversity of transactions and asset categories addressed in contemporary financial reporting. In particular, the accounting treatment of right-of-use assets, biological assets, and investment property requires consideration of the specific standards governing those items, rather than automatic application of the rules for property, plant and equipment.

Consequently, an improved methodological approach should distinguish between the economic concept of capital investment, the accumulation of costs within national accounting systems, and the recognition of an asset or an addition to its carrying amount under IFRS. This distinction provides a more consistent basis for classifying expenditures,

determining which costs qualify for capitalization, and presenting investment-related assets faithfully in financial statements.

Accordingly, to provide a more comprehensive interpretation of capital investments and strengthen their conceptual alignment with international financial reporting requirements, the present study synthesizes the scholarly perspectives discussed above and proposes the following definition:

“Capital investments comprise expenditures incurred by an enterprise in constructing or acquiring property, plant and equipment; acquiring or developing intangible assets; constructing, acquiring, or improving investment property; reconstructing, expanding, modernizing, or technologically upgrading existing assets; and undertaking activities related to biological assets, insofar as such expenditures qualify for recognition or capitalization under the applicable accounting standards.”

This proposed definition broadens the conventional understanding of capital investments beyond expenditures associated exclusively with property, plant and equipment. Nevertheless, the accounting treatment of each expenditure must be determined under the relevant IFRS requirements. In particular, expenditures on biological assets, investment property, and right-of-use assets are not automatically capitalizable merely because they relate to long-term economic activities.

The introduction of new accounting concepts into Uzbekistan’s national accounting framework necessitates the further alignment of recognition, measurement, and disclosure practices with international standards. Global economic integration, the expansion of investment activities, and enterprises’ increasing reliance on leased resources have significantly enhanced the economic importance of lease arrangements. These developments underscore the need for a consistent accounting framework for right-of-use assets.

IFRS 16 leases, issued by the International accounting standards board (IASB), generally requires a lessee to recognize a right-of-use asset and a corresponding lease liability for a lease, subject to specified recognition exemptions, including those applicable to certain short-term leases and leases of low-value assets. This accounting model improves the visibility of lease-related assets and obligations in financial statements and supports greater transparency and comparability.

Under IFRS 16, the principal parties to a lease arrangement are the lessor, which provides the right to use an underlying asset for a period of time in exchange for consideration, and the lessee, which obtains that right. A right-of-use asset represents the lessee’s right to use the underlying identified asset during the lease term; it does not necessarily represent ownership of the underlying asset itself.

In the national chart-of-accounts framework referred to in this study, assets obtained under finance lease arrangements have traditionally been recorded in the 0300 group, “Property, plant and equipment acquired under finance leases”. This terminology does not fully capture the broader lessee accounting model established by IFRS 16. Consequently, the recognition and analytical classification of right-of-use assets warrant separate methodological consideration.

At the commencement date, a lessee generally recognizes a right-of-use asset and a lease liability. The lease liability is initially measured at the present value of lease payments not paid at that date, using the discount rate prescribed by IFRS 16. The initial measurement of the right-of-use asset includes the initial lease liability, adjusted for relevant advance payments, lease incentives, initial direct costs, and applicable restoration or dismantling obligations.

Following initial recognition, a right-of-use asset is generally depreciated and assessed for impairment in accordance with IAS 36 impairment of assets, subject to the measurement provisions and exceptions specified by IFRS 16. Depreciation normally

extends over the shorter of the useful life of the right-of-use asset and the lease term. Where ownership of the underlying asset transfers to the lessee by the end of the lease term, or the cost of the right-of-use asset reflects the exercise of a purchase option, depreciation extends to the end of the underlying asset's useful life.

Appropriate accounting by lessors is equally important. IFRS 16 generally retains a distinction between finance leases and operating leases for lessor accounting. The classification and subsequent accounting treatment depend on whether substantially all risks and rewards incidental to ownership of the underlying asset are transferred.

Another relevant category is investment property. IAS 40 Investment Property establishes requirements for the recognition, measurement, and derecognition of property held to earn rentals, for capital appreciation, or for both. Its accounting treatment must be distinguished from that of owner-occupied property and property held for sale in the ordinary course of business.

International research continues to address improvements in accounting for capital investments, including the acquisition of property, plant and equipment and intangible assets, the determination of initial cost, and the presentation of relevant information in accounting records and financial statements. Nevertheless, further investigation is required into the measurement of other categories of non-current assets, including investment property and biological assets, under the relevant IFRS requirements.

Additional methodological questions arise in digital manufacturing environments and greenfield investment projects. These include identifying costs directly attributable to bringing an asset to the location and condition necessary for its intended operation, distinguishing capitalizable project costs from period expenses, and developing disclosure practices that adequately explain material investment activities and related accounting judgments.

Mukhammadiyev Z.U. [11], in examining investment accounting and investment property, argues that the chart of accounts established by National accounting standard No. 21, "Chart of accounts for the financial and economic activities of business entities and instructions for its application" should be adapted to the requirements of the digital and green economy. In particular, the researcher proposes reconsidering the designation and structure of account group 0800 and its constituent accounts and reflecting the revised structure in enterprises' accounting policies.

The adoption of international standards and the increasing significance of asset categories that were previously less prominent in domestic accounting practice suggest a need to reconsider the analytical classification of capital investments. Accordingly, the present study proposes refining the definition of capital investments and introducing additional analytical accounts where necessary to distinguish expenditures relating to different asset categories.

Under the chart of accounts presented in National accounting standard No. 21, the existing structure of account group 0800, "Capital investments," is summarized in Table 1.

Table 1. Existing structure of account group 0800: Capital investments

Account code	Account designation	Account type
0800	Capital investments	Asset
0810	Construction in progress	Asset
0820	Acquisition of property, plant and equipment	Asset
0830	Acquisition of intangible assets	Asset
0840	Formation of the basic herd	Asset
0850	Capital investments in land improvements	Asset

0860	Capital investments in property, plant and equipment held under finance leases	Asset
0870	Capital investments in property, plant and equipment held under operating leases	Asset
0890	Other capital investments	Asset

Although this account structure records several major categories of capital expenditure, it does not explicitly distinguish all asset categories addressed by international standards. In particular, the source material identifies a lack of dedicated analytical classifications for expenditures associated with investment property under IAS 40, biological assets under IAS 41 Agriculture, and right-of-use assets under IFRS 16. This limitation may reduce the usefulness of account-level information for IFRS-based reporting and analytical purposes.

In the authors' view, the system of accounts intended for capital investments should therefore be refined to enhance the analytical relevance, consistency, and informational quality of records relating to non-current assets. One proposed change concerns account 0840, currently designated "Formation of the basic herd." It is suggested that this account be renamed "Capital Investments in Non-current biological assets (animals)" to more clearly identify expenditures associated with living animals and facilitate more detailed analytical tracking.

However, this proposal should be implemented with due regard to IAS 41, which generally requires biological assets within its scope to be measured at fair value less costs to sell, subject to the standard's limited exceptions. The proposed analytical account should therefore not be interpreted as establishing a universal cost-capitalization model for biological assets. Further consideration is also needed for the accounting treatment of bearer plants under IAS 16 and the distinction between expenditure tracking and IFRS measurement of recognized assets.

Taken together, these considerations support the development of a more differentiated chart-of-accounts structure that preserves the information required by national bookkeeping rules while facilitating the preparation of financial statements in accordance with the applicable international standards.

Considering the requirements of IFRS 16 Leases, under which a lessee generally recognizes a right-of-use asset for a lease, it is proposed that account 0860, currently entitled "Capital investments in property, plant and equipment acquired under finance leases", be renamed "Capital investments in right-of-use assets". This proposed designation is intended to bring the national chart of accounts into closer alignment with IFRS terminology. Nevertheless, the accounting treatment of leasehold improvements should be distinguished from the initial recognition of a right-of-use asset.

Under national accounting standard No. 21, account 0870, "Capital investments in property, plant and equipment held under operating leases", records capital expenditures incurred to improve, repair, or modernize property leased under an operating lease. When the leased property is returned, the accumulated capital investments are derecognized by debiting account 9220, "Disposal of other assets" and crediting account 0870. Where the lessor reimburses improvements to the leased property, the reimbursable amount is recorded by debiting account 4890, "Other receivables" and crediting account 9220 [1].

In the authors' view, expenditures relating to assets leased for a short period should not automatically be capitalized as additions to the underlying property, plant and equipment. Where such expenditures do not meet the applicable asset recognition criteria, they should instead be charged to the relevant functional expense category according to the use of the leased asset. However, the length of the lease alone does not determine whether an improvement qualifies for capitalization: under IFRS, short-term lease

exemptions, lessee accounting, and separately identifiable leasehold improvements must be assessed on their own terms.

It is therefore proposed that account 0870 be redesignated “Capital investments in investment property”. In addition, account 0880 could be introduced as “Capital investments in long-term biological assets (perennial plants)” to accumulate expenditures relating to perennial plants within the scope of the applicable accounting requirements. This would improve the analytical usefulness of accounting information on the formation of the initial cost of perennial agricultural assets. In applying this proposal, bearer plants falling within IAS 16 Property, plant and equipment should be distinguished from biological assets governed by IAS 41 Agriculture.

On the basis of the preceding analysis, the authors propose the following revised composition of account group 0800, “Capital investments” (Table 2).

Table 2. Proposed structure of capital investment accounts (authors’ proposal)

Account Code	Account Name	Account Type
0800	Capital Investments	Asset
0810	Construction in Progress	Asset
0820	Acquisition of Property, Plant and Equipment	Asset
0830	Acquisition of Intangible Assets	Asset
0840	Capital Investments in Long-Term Biological Assets (Animals)	Asset
0850	Capital Investments in Land Improvements	Asset
0860	Capital Investments in Right-of-Use Assets	Asset
0870	Capital Investments in Investment Property	Asset
0880	Capital Investments in Long-Term Biological Assets (Perennial Plants)	Asset
0890	Other Capital Investments	Asset

Against the backdrop of ongoing economic reforms in Uzbekistan, particular attention is being paid to developing business entities and increasing their investment activity. The effective utilization of existing property and other assets represents an important factor in strengthening enterprises’ investment capacity.

Investment property occupies a distinct position among investment-related assets. Such property may generate rental income, benefit from capital appreciation over the long term, or serve both purposes. Accordingly, its identification and appropriate accounting treatment are essential for assessing the economic substance of an enterprise’s asset portfolio.

As Uzbekistan moves toward closer alignment of financial reporting with international standards, approaches to asset classification are also evolving. Under IFRS presentation requirements, assets are generally classified as current or non-current when a classified statement of financial position is presented. This classification should not be confused with the separate identification of investment property as an asset category under IAS 40.

The economic substance, definition, classification, and recognition criteria of investment property have not yet been sufficiently explored in some areas of domestic accounting research. IAS 40 Investment Property is particularly relevant because it establishes requirements for the recognition, measurement, and disclosure of investment property. If an enterprise holds property meeting the IAS 40 definition but fails to identify and account for it appropriately, its financial statements may contain material

classification or measurement errors. Whether the entity can claim compliance with IFRS must be assessed against the full set of applicable requirements and the relevant materiality considerations.

Druzhilovskaya E.S. [18] draws attention to differences between regulatory approaches to investment property accounting and emphasizes the need for carefully considered measures to improve their consistency. This observation underscores the relevance of examining how international requirements can be implemented within national accounting systems.

The number of Uzbek-language studies addressing the concept of investment property and the methodological procedures for its accounting remains relatively limited. Although selected aspects of investment property, including its classification, have been considered by A.Z.Avloqulov [15], Sh.S. Muzrapova [32], M.R.Gozieva [1] and Robin Joyce [33], practical challenges remain in the presentation of such assets within the national chart of accounts and financial reporting formats.

In particular, the absence of a clearly designated account for investment property in the chart of accounts examined in this study may lead enterprises to include investment property within property, plant and equipment without sufficient analytical separation. In such circumstances, information specific to investment property may also be inadequately disclosed in the notes to the financial statements.

Investment property is sometimes incorrectly understood simply as any property contributed as an investment. Under IAS 40, however, investment property generally refers to land or a building (or part of a building, or both) held to earn rentals, for capital appreciation, or both, rather than for owner-occupation or sale in the ordinary course of business. This distinction demonstrates the importance of clarifying the concept in both academic research and accounting practice.

The term “investment property” is sometimes rendered in Uzbek as “investment assets” or “investment property” without specifying the underlying nature of the asset. However, the scope of IAS 40 Investment Property is confined to qualifying real estate – land, buildings, or parts of buildings – held to earn rentals, for capital appreciation, or both. Accordingly, “investment real estate” is a useful explanatory rendering in Uzbek, while “investment property” remains the established IFRS term. Under IAS 40, such property is distinguished from owner-occupied property and property held for sale in the ordinary course of business [34].

T. Shalunova [14] discusses the investment character of property held for rental purposes and emphasizes its distinction from owner-occupied property. This distinction should be interpreted in accounting rather than merely legal terms: property may represent an investment in a broad economic sense without necessarily satisfying the definition of investment property under IAS 40. The classification depends on the purpose for which the property is held and on the applicable IFRS requirements.

The recognition and measurement of investment property have attracted attention from both international and Uzbek researchers. R. Joyce [33] examines practical valuation issues in a banking context, while Hamdamov and Obidkhonov [35] consider the alignment of domestic accounting arrangements with international requirements. In the national literature, R.D.Dusmuratov [8], A.A. Karimov, J.K. Kurboboyev and S.A. Jumanazarov [3], Sh.T.Ergasheva, F.T. Temirov and D.M. Mavlyanova [9], N.B. Abdusalomova and F.T. Temirov [5] and N.Jurayev, F. Abduvakhidov and D. Sotivoldiyeva [6] discuss classifications of non-current assets that encompass property, plant and equipment, long-term investments, intangible assets, capital investments, equipment awaiting installation, deferred expenditures and long-term receivables.

Sh.S. Muzrapova [10] distinguishes investment property from owner-occupied property and considers ownership and lease-related rights. In applying this distinction,

the relevant IFRS guidance must be considered: IAS 40 governs qualifying investment property, IAS 16 governs owner-occupied property, and IFRS 16 governs lease accounting, including relevant right-of-use assets. The source passage describing this classification is partially corrupted; therefore, its wording has been paraphrased rather than reproduced as a verbatim quotation.

Notwithstanding these contributions, questions remain regarding the analytical classification of tangible assets held to generate rental income, particularly movable assets provided to customers under operating leases. IAS 40 does not apply to such movable assets. Nevertheless, their accounting is not unregulated: depending on the arrangement and the asset, IAS 16 and IFRS 16 provide relevant requirements. The research issue is therefore better characterized as the need for more informative national analytical accounts and disclosures, rather than the complete absence of international guidance.

Under the national framework discussed in the source, operating-lease assets have traditionally been recorded by the lessor as property, plant and equipment, while the lessee accounts for the leased property under the applicable national rules, including off-balance-sheet treatment in certain cases [7]. The cited national provisions and their continuing applicability should be checked against the version of the legislation relevant to the reporting period.

IFRS 16 distinguishes the accounting requirements of lessors and lessees. For a lessor under an operating lease, the underlying asset generally remains recognized, and depreciation is accounted for in accordance with the applicable standard; the costs associated with earning lease income are recognized in accordance with IFRS 16 [36]. In contrast, a lessee generally recognizes a right-of-use asset and a lease liability, subject to the standard's recognition exemptions. The source proposes assigning depreciation to the lessee merely because the lessee uses the asset. This is presented here as the author's suggested policy change, not as the accounting treatment prescribed for operating-lease lessors by IFRS 16.

The author argues that assets held primarily to earn rentals should be analytically distinguished from assets used directly in production, service delivery or administration. This distinction could improve management reporting and support assessment of the income-generating performance of leased assets. Nevertheless, the analytical category must not override the recognition, measurement or presentation requirements of the applicable IFRS standards.

On the basis of the reviewed literature, the author proposes distinguishing two analytical groups: (i) investment property and (ii) investment-related tangible assets other than investment property. The first group falls within IAS 40 when its definition is met; the second may include movable tangible assets, such as vehicles or equipment, held primarily to earn operating-lease income. The latter designation is proposed as a national analytical reporting category, not as an existing separate IFRS asset class.

For the purposes of this study, an investment-related asset is defined as an asset held primarily to generate rental income or capital appreciation rather than for the entity's own production, supply of goods or services, administrative use, or sale in the ordinary course of business. This is a research definition and should not be confused with the narrower definition of investment property in IAS 40 [34].

Investment property comprises land or a building (or part of a building), or both, held by the owner or, where applicable, by a lessee as a right-of-use asset to earn rentals, for capital appreciation, or both, rather than for owner occupation or sale in the ordinary course of business. Other investment-related tangible assets, as proposed in this study, comprise qualifying non-real-estate tangible assets held principally to generate rental income. Their recognition and measurement remain subject to the relevant IFRS requirements.

Proposed changes to the national chart of accounts

To strengthen the analytical identification of investment-related assets, the author proposes renaming account group 0100 “Property, Plant and Equipment” as “Property, Plant and Equipment and Investment-Related Assets” and establishing dedicated analytical accounts. The proposal is summarized below. The source contains an inconsistent subaccount number (“0192.2”) within the 0191 series; it is standardized to “0191.2” in the table, subject to the author’s confirmation.

Table 3. Proposed structure of analytical accounts for investment-related assets and capital investments

Proposed account	Proposed designation
0100	Property, plant and equipment and investment-related assets
0191	Investment-related assets
0191.1	Investment property
0191.2	Other investment-related tangible assets
0891	Other capital investments
0891.1	Capital investments in investment property
0891.2	Capital investments in other investment-related tangible assets

These proposed accounts are intended to improve the traceability of acquisition, development and subsequent expenditure associated with rental-generating assets. Their introduction would require alignment with the national chart of accounts and appropriate mapping to IFRS-compliant financial statement categories. The author additionally suggests considering a broader national regulatory framework for investment-related assets; however, the title and scope of IAS 40 itself should not be treated as amended or extended to movable property.

A.N. Azrilyan [37] characterizes investment property as income-producing property held as a long-term investment, while B.G. Ganin [16] approaches it as a particular form of investment in real assets. A.Z. Avlokulov [15] emphasizes rental income and capital appreciation; A.N.Turayev [38] provides a definition close to the IAS 40 distinction between rental- or appreciation-oriented property and owner-occupied or trading property. B.K. Hamdamov and X.X.Obidkhonov [35] focus on land and buildings not ordinarily used in an entity’s own operations. Sh.S. Muzrapova [10] also examines property classifications, although the definition attributed in the source requires checking against the original publication because it may conflate rental property with owner-occupied property.

The comparative review indicates that the term “investment” is broader in economic usage than the accounting category “investment property.” An entity may hold vehicles, technological facilities or other movable assets for rental income, but such assets do not become investment property merely because they generate investment-related returns. This distinction supports the author’s proposal for a separate analytical category while preserving the boundaries of IAS 40 and IAS 16.

Real estate may be held for an entity’s own operations, for rental income, for capital appreciation, or for sale. Under IAS 40, investment property consists of qualifying land and buildings held for rental income, capital appreciation, or both. The asset is initially measured at cost, subject to the relevant requirements for acquired or leased property. Following initial recognition, an entity applies the fair value model or the cost model in accordance with IAS 40, with associated recognition and disclosure requirements [34].



Figure 1. Classification of investment property (author-developed schematic based on IAS 40).

Chen Chen, Kin Lo, Desmond Tsang and Jing Zhang [17] discuss the reporting consequences of fair value accounting for investment property, including an example involving ST Bai-Hua Inc. The source describes a transition from reported losses to positive net income following the adoption of the fair value model. Such an example illustrates the potential sensitivity of reported profit to measurement choices; the underlying empirical claim and causal interpretation should be verified against the cited study before publication.

At initial recognition, the cost of purchased investment property generally includes its purchase price and directly attributable expenditure, such as relevant professional fees and transaction taxes. The precise cost components depend on the acquisition circumstances and the requirements of IAS 40 and other applicable standards. Subsequent expenditures are assessed against the relevant recognition criteria rather than automatically capitalized.



Figure 2. Components of the initial cost of investment property (author-developed schematic based on IAS 40).

Transfers to or from investment property are made when, and only when, there is evidence of a change in use. For example, the commencement of owner occupation may support a transfer from investment property to owner-occupied property under IAS 16, while the end of owner occupation and the commencement of qualifying rental use may support a transfer in the opposite direction. A property previously held as inventory may be transferred to investment property when its use changes to holding it for rental income or capital appreciation. A mere decision to sell investment property does not, by itself, always require transfer to inventories; the specific facts and relevant requirements, including IFRS 5 where applicable, must be considered.

Investment property is derecognized on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on derecognition is generally determined as the difference between the net disposal proceeds and the carrying amount of the asset, subject to the applicable requirements. Such gains or losses are recognized in profit or loss, rather than automatically in other comprehensive income.

4. Conclusions and Recommendations

Improving the recognition, classification, measurement, and accounting treatment of investment-related assets, long-term biological assets (including animals and perennial plants), right-of-use assets, and associated capital investments in accordance with International financial reporting standards (IFRS) is essential for ensuring the faithful representation of asset values in financial statements. Such improvements also contribute to greater transparency, reliability, and comparability of financial information related to enterprises' investment activities. The findings of this study indicate that the accounting treatment of capital expenditures should be determined by their economic substance, their contribution to the generation of future economic benefits, and their direct relationship to the acquisition, construction, development, or improvement of the relevant assets, subject to the recognition and measurement requirements of the applicable standards.

The research further demonstrates the importance of establishing a consistent methodological framework for distinguishing capitalizable expenditures from expenses recognized in the reporting period. Particular attention should be devoted to the separate accounting of capital investments in progress, the accurate determination of the initial cost of qualifying assets, and the appropriate recognition of completed investment projects under the relevant asset categories. Furthermore, improving analytical accounting procedures for individual investment projects and asset categories would strengthen internal control over investment expenditures, facilitate the accurate determination of project costs, and enhance the effectiveness of investment resource management.

Based on the research findings, it is recommended that the national chart of accounts be further refined through the introduction or modification of analytical accounts specifically designed for investment property, other investment-related tangible assets, long-term biological assets, and capital investments associated with right-of-use assets. In particular, the proposed improvements to the 0800 account group would facilitate a more detailed classification of capital expenditures according to their economic substance and the characteristics of the underlying assets. These recommendations should be implemented in conjunction with the relevant provisions of IAS 16 Property, plant and equipment, IAS 40 Investment property, IAS 41 Agriculture, and IFRS 16 Leases, while taking into account the distinct recognition and measurement requirements applicable to each asset category.

Overall, harmonizing national accounting practices with international financial reporting requirements would contribute to improving the quality, consistency, and decision-usefulness of financial information. The proposed methodological improvements are expected to enhance the transparency of investment activities, strengthen accountability for capital expenditures, and provide a more reliable information base for managerial and investment decisions. Consequently, the implementation of these recommendations may support more efficient investment management, improve the quality of financial reporting, and facilitate the continued development of an accounting system aligned with internationally recognized standards.

REFERENCES

- [1] Gozieva M. R. Uzoq muddatli aktivlarning nazariy masalalari Marketing. Ilmiy, amaliy va ommabop jurnal. Elektron nashr. 29 avgust, 2025-yil 52-60 bet.
- [2] Бухгалтерский финансовый учет. Камышанов П.И., Камышанов А.П. 2-е изд., испр. и доп. - М.: 2005.- 656 с.
- [3] Karimov A.A., Kurboboyev J.K., Jumanazarov S.A . Buxgalteriya hisobi 1qism/ Darslik .-T: "Iqtisod-Moliya" 2020
- [4] А. Ибрагимов, И. Очилов, И. Қўзиев, Н. Ризаев. Молиявий ва бошқарув ҳисоби. Ўқув қўлланма. Т.: «Iqtisod-Moliya», 2008.
- [5] Abdusalomova N.B, Temirov F.T. Moliyaviy hisob. O'quv qo'llanma.-T.:Iqtisodiyot, 2021.-283 b.
- [6] Jo'rayev N., Abduvaxidov F., Sotivoldieva D. Moliyaviy va boshqaruv hisobi: Darslik. T D I U. T.: 2010.- 287 b.
- [7] S.N.Tashnazarov. Moliyaviy buxgalteriya hisobi 1: darslik / Samarqand iqtisodiyot va servis instituti – Samarqand.: "STEP-SEL" MCHJ nashriyoti, 2023 - 580 bet. 481-bet.
- [8] R.D.Dusmuratov. Buxgalteriya hisobi nazariyasi. Darslik.-T.: "Yangiul polygraph service", 2020, 495 bet.
- [9] Sh.T.Ergasheva, F.T.Temirov, D.M. Mavlyanova. Buxgalteriya hisobi. O'quv qo'llanma.- T.:«Innovatsion rivojlanish nashriyot-matbaa uyi», 2021 – 290 b.
- [10] Muzrapova Sh.S. Investision mulk hisobini xalqaro standartlar asosida transformasiya qilish. Yashil iqtisodiyot va taraqqiyot jurnali. 2025-yil, fevral. № 2-son.1386-1390 bet.
- [11] Muxammadiyev Z. U. Korxonalarning raqamli va yashil iqtisodiyotga kapital investitsiyalari buxgalteriya hisobi metodologiyasini takomillashtirish: Iqtisodiyot fanlari doktori (DSc) diss. avtoref. – Samarqand: Samarqand Iqtisodiyot va servis instituti. 2025. – 80 b.; 17-18-betlar.
- [12] Egamberdiyeva S.R.. Aktivlarni hisobga olish, tavsiflash va tasniflashga zamonaviy yondoshuv. Innovatsion iqtisodiyot. Ilmiy-amaliy elektron jurnal. 6-jild 6-son Iyun, 2026. 176-180 betlar.
- [13] Egamberdiyeva S.R.. Aktivlar hisobi va hisobotini takomillashtirish. Innovatsion iqtisodiyot. Ilmiy-amaliy elektron jurnal. 5-jild 5-son May, 2026. 188-192 betlar.
- [14] Tatyana Shalunova (2022). Investitsiyaviy mulkka boshqacha nazar // gazeta SBX 2014 № 35 https://gazeta.norma.uz/publish/doc/text107819_investitsiyaviy_mulkka_boshqacha_nazar
- [15] Avloqulov A.Z.Iqtisodiyotni erkinlashtirish sharoitida investitsion mulk hisobi va auditini takomillashtirish. I.f.n. ... diss avtoref. –T., 2007. – 42 b.;
- [16] Ганин Б.Г. Учет и отсценка инвестиционной собственност 08.00.12 — «Бухгалтерский учет, статистика»: диссертация на соискание ученой степени кандидата экономических наук. Москва 2008. – 135 с.;
- [17] Chen Chen , Kin Lo, Desmond Tsang, Jing Zhang. "Understanding accounting discretion in China: An analysis of fair value reporting for investment property". J. Account. Public Policy 39 (2020) 106766. [suspicious link removed]
- [18] Дружиловская Э.С. Международный бухгалтерский учет. Проблемы учета. 39 (333) – 2014. "Инвестиционные активы как новый учетный объект и правила его оценки в российском и международном учете".
- [19] Charles T. Horngren, Gary L. Sundem. John A. Elliott. Introduction to Financial Accounting, 2014. 8th ed. Pg.7-35. https://api.pageplace.de/preview/DT0400.9781292056395_A24577300
- [20] Уразов К.Б, Пулатов М.Э. Бухгалтерия ҳисоби.Дарслик.-Т.: "Инновацион ривожланиш нашриёт-матбаа уйи", 2020, 558 бет.
- [21] О. Бобожонов.Молиявий ҳисоб. Дарслик. Т.: "Молия", 2002. — 660 б.
- [22] Ф.Ф.Ғуломова. Бухгалтерия ҳисобини мустақил урганиш учун қўлланма. Тошкент: " Иқтисодиёт ва ҳуқуқ дунёси" нашриёт уйи, 2004- 440-б. ("Солиқ ва божхона хабарлари" газета кутубхонаси). 228-бет.
- [23] Инвестиции: Учебник / Под ред. Нешиной А. С. -Издательство: «Дашков и Ко», 2007. -440 с.стр-22.
- [24] Jerry J. Weygandt, Paul D. Kimmel, Donald E. Kieso. Accounting: Tools for Business Decision Making, 5th ed. Wiley, 2013. Pg. 482.
- [25] Сергеев И. В., Веретенникова И. И. С32 Экономика организаций (предприятий): учеб. / под ред. И. В. Сергеева. - 3-е изд., перераб. и доп. - М.: ТК Велби, Изд-во Проспект, 2005.-560 с.стр. 194–195.
- [26] Инвестиции: Учебник /Под ред. В.В. Ковалева, В.В. Иванова, В.А. Лялина.-М.: ООО «ТК Велби», 2003.- 440 с.

- [27] B.S. Mamatov, D.Yu. Xujamkulov, O.Sh.Nurbekov. Investitsiyalarni tasbkil etish va moliyalashtirish. Darslik. T.: Iqtisod-Moliya, 2014. 608 bet. 17-bet.
- [28] Ғозибеков Д.Ғ. Инвестицияларни молиялаштириш масалалари. -Тошкент: «Молия», 2003. 12- бет.
- [29] А.А. Каримов, Ф.Р. Исломов, А.З. Авлоқулов. Бухгалтерия ҳисоби. — Т.: «Шарқ» НМАК Бош таҳририяти, 2004. -592 б. 222-б.
- [30] А.С. Сотиводиев. Замонавий бухгалтерия ҳисоби. 3-том.-Т.: ЎзР Бухг ва ауд миллий ассоцм, 2004. - 505 б.
- [31] О‘зб.Resp.iqtisodiyot va moliya vazirining 2024-yil 14-noyabrdagi 191-son buyrug‘iga 1-ilova. O‘zbekiston Respublikasi buxgalteriya hisobining milliy standarti (21-sonli BHMS) “Ho‘jalik yurituvchi subyektlarda buxgalteriya hisobining hisobvaraqlar rejasi va uni qo‘llash bo‘yicha yo‘riqnoma”. 23-бет.
- [32] Muzrapova Sh.S. Aksiyadorlik jamiyatlarida investitsion mulk hisobini takomillashtirish: Iqtisodiyot fanlari bo‘yicha falsafa doktori (PhD) diss. avtoref. – Toshkent: Toshkent davlat iqtisodiyot universiteti. 2025. – 62 b.; 12-bet.
- [33] Робин Джойс . (2017) Учебное пособие по МСФО <http://finotchet.ru/articles/1272/>
- [34] O‘zbekiston Respublikasi moliya vazirining 2022-yil 10-noyabrdagi 61-son buyrug‘iga 25-Ilova 40-sonli BHXS “Investitsion mulkni ko‘chmas mulk”. <https://nrm.uz/contentf?doc>
- [35] Хамдамов Б.К., Обидхонов Х.Х. Учет инвестиционной недвижимости в республике Узбекистан и ее гармонизация в МСФО. Иқтисодиётда инновациялар 01.2023 йил. 22-28
- [36] O‘zbekiston Respublikasi moliya vazirining 2022-yil 10-noyabrdagi 61-son buyrug‘iga 42-Ilova. Moliyaviy hisobotning 16-sonli “Ijara” nomli xalqaro standart (16-MHXS) .
- [37] Азрилян А.Н. и др. Большой бухгалтерский словарь – М: Институт новой экономики, 1999 – 574
- [38] То‘раев А.Н. va boshq. Moliyaviy hisobotning xalqaro standartlari. O‘quv qo‘llanma. T.:Iqtisod-moliya, 2019.-332 b.