

**THE CONCEPT OF BALANCE SHEET AND ITS ROLE IN THE
ACCOUNTING PROCESS**

Lecturer: Boykobulova Iroda Jontemir qizi

Samarkand Institute of Economics and Service

Department of "Accounting and Audit in Other Sectors"

Madaminova Zebo

Student of the Samarqand Institute of Economics and Service

Abstract.

This article provides an understanding of the balance sheet, which is the main document of accounting in banks. The balance sheet is based on the equality of assets and liabilities, its reflection of the financial condition of banks, and its role in the accounting process are analyzed based on local scientific literature. The structure, types, and its importance in the activities of banks are also highlighted.

Key words: balance sheet, assets, liabilities, bank, accounting process, financial position, balance sheet equity.

Introduction

In a market economy, banks play a special role as the main link of the financial system. Accounting in banks ensures the complete, accurate, and timely reflection of their financial condition, the composition of assets and liabilities, revenues and expenses. The central element of accounting — the balance sheet — expresses all financial indicators specific to a bank in a unified system.

In accordance with the Law of the Republic of Uzbekistan “On Accounting” (April 13, 2016), accounting is a system of orderly, continuous, and documented reflection of information about the property, liabilities, and business operations of economic entities. The balance sheet is the concluding part of this system. A balance sheet is a document that reflects, in a two-sided table format, generalized information about the assets, liabilities, and capital of an enterprise or organization (including a bank) as of a specific date.

Review of Literature on the Topic

As noted in the textbook "Financial Accounting" by local scholar M.Q. Pardayev and others, a balance sheet is a form of financial reporting that reflects the financial condition of an enterprise as of a specific date, showing the equality between assets (property and funds) and liabilities (their sources of financing).

In the textbook "Bank Accounting" by R.A. Alimov and N.H. Toshmatov, the balance sheet is defined as "the basis for financial analysis of bank operations," and it is specifically noted that it is the "reference point" of all reporting forms.

A balance sheet consists of two parts: assets and liabilities. In the textbook "Theory of Accounting" by economists A.A. Xasanov and D.M. Razzaqov, the essence of the balance sheet equality is expressed as follows:

$$\text{Assets} = \text{Capital} + \text{Liabilities}$$

As noted in Professor Q.X. Ochilov's work "Analysis of Bank Financial Statements," the bank's balance sheet performs the following functions:

Information function — provides information on the composition and placement of bank resources;

Control function — enables monitoring of the movement of funds, the status of loans, and liquidity;

Analytical function — serves as a basis for comparing financial indicators, identifying trends, and making forecasts;

Accountability function — ensures accountability to state bodies, shareholders, and clients.

According to the regulatory documents of the Central Bank of the Republic of Uzbekistan, commercial banks are required to submit a balance sheet report to the regulatory authorities on a monthly basis. This ensures effective oversight of bank operations.

In the textbook "Accounting in Commercial Banks" by B.O. Toshpo'llatov and Sh.I. Xolmatov, four main stages of the accounting process in banks are identified: primary documentation, reflection in reporting registers, summarization by accounts, and preparation of the balance sheet. In this way, the balance sheet serves as the logical conclusion of the entire accounting process.

Local literature in the field of bank accounting in Uzbekistan has been significantly enriched in recent years. The main sources are summarized in the table below:

| Author(s) | Title of Work | Main Contribution |
|-----------------------------------|---------------------------------------|---|
| Pardayev M.Q. et al. | Financial Accounting (textbook) | Concept of balance sheet and forms of financial reporting |
| Alimov R.A., Toshmatov N.H. | Bank Accounting | Procedure for preparing the balance sheet in banks |
| Ochilov Q.X. | Analysis of Bank Financial Statements | Analysis of balance sheet indicators |
| Toshpo'latov B.O., Xolmatov Sh.I. | Accounting in Commercial Banks | Stages of the accounting process |
| Ergashev A.E., Hasanova M.I. | Financial Accounting and Reporting | Classification of types of balance sheets |

Types of Balance Sheets

In local literature, balance sheets are classified according to several criteria. The following classification is given in the book "Financial Accounting and Reporting" by A.E. Ergashev and M.I. Hasanova:

By time criterion: opening (initial), current (interim), final (closing), and separation/merger balance sheets.

By volume of data: single-entity (unit) balance sheet and consolidated (group) balance sheet.

By purpose: balance sheets prepared for external reporting and for internal management purposes.

The consolidated balance sheet is especially important for banks, as it reflects the activities of all structures belonging to a single banking group in a unified manner.

Conclusions and Recommendations

Based on the above, the following conclusions can be drawn: The balance sheet is the main document reflecting the financial condition of banks, and it is the final stage of the accounting process and the central element of the information system. The principle of equality between assets and liabilities in the balance sheet, based on the double-entry bookkeeping rule, ensures the internal control mechanism of the accounting system. Although the bank balance sheet has been thoroughly studied in both theoretical and practical terms in the works of local scholars, the need to improve the methodology for real-time analysis of the balance sheet in the context of the digital economy remains. As a recommendation, it is considered appropriate to expand the practice of preparing and analyzing the accounting balance sheet through automated systems in banks, as well as to ensure compliance with international IFRS standards.

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