

## THE IMPORTANCE OF ACCOUNTING IN INVESTMENT ACTIVITIES

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**Abstract:** This article analyzes the crucial role of accounting in the effective management of investment activities. It examines how accurate accounting systems influence decision-making, investment efficiency, and risk assessment in modern enterprises. The authors emphasize that in Uzbekistan's current economic transformation, transparent and internationally standardized accounting plays a vital role in improving investor confidence and ensuring efficient capital allocation. The study employs comparative analysis and descriptive methods, using examples from Uzbekistan and the Republic of Karakalpakstan. Recommendations are proposed for enhancing accounting practices in line with International Financial Reporting Standards (IFRS).

**Keywords:** Accounting, investment activity, financial reporting, IFRS, efficiency, Uzbekistan, Karakalpakstan.

### 1. Introduction

In the context of global economic development, investment activity is a key driver of sustainable growth and competitiveness. The success of investment decisions largely depends on the availability of accurate, reliable, and timely financial information, which is ensured through a well-functioning accounting system [1].

In Uzbekistan, significant reforms are being implemented to stimulate domestic and foreign investment. Presidential Decree No. PF-60 "On the Development of Investment Activity and Support of Investors" (2022) laid the foundation for transparency and modernization of accounting systems [2].

Accounting information serves as the backbone of investment management — it enables enterprises to identify capital needs, assess risks, monitor cash flows, and evaluate financial performance [3]. Thus, accounting is not merely a record-keeping tool, but an analytical system that ensures rational investment decisions.

### 2. Literature Review

Economic scholars emphasize that accounting plays a dual function in investment activity: measurement and control. According to Karimov (2021), financial accounting transforms economic operations into measurable indicators of efficiency and return [4].

International organizations, such as the World Bank and FAO, also highlight that countries with transparent accounting systems attract more foreign direct investment (FDI) and demonstrate higher economic resilience [5].

In developed economies, accounting systems are closely linked to the application of IFRS standards. These standards ensure comparability, reliability, and global transparency of financial statements, enabling investors to evaluate risks objectively [6].

In Uzbekistan, the transition toward IFRS began in 2019, and since then, more than 300 enterprises have adopted partial international reporting practices. However, challenges remain in terms of staff training, digital infrastructure, and audit control [7].

### **3. Methodology and Theoretical Framework**

The research uses comparative, descriptive, and statistical methods to evaluate the relationship between accounting efficiency and investment performance. Data from Karakalpakstan's regional economic reports (2020–2024) and national statistics were analyzed to demonstrate the practical significance of accurate accounting in investment outcomes.

The theoretical framework is based on the IFRS Conceptual Framework (2023) and national accounting standards of Uzbekistan. The study identifies key performance indicators (KPIs) such as ROI (Return on Investment), NPV (Net Present Value), and IRR (Internal Rate of Return), which depend on reliable financial accounting data [8].

### **4. The Role of Accounting in Investment Processes**

Accounting ensures the documentation, classification, and analysis of investment transactions. Its primary functions in investment management include:

1. Financial control – tracking the use of investment funds and preventing misuse;
2. Transparency – ensuring that financial statements reflect the real state of investment assets;
3. Decision support – providing analytical data for evaluating project profitability;
4. Accountability – creating a reliable reporting base for investors, creditors, and regulatory bodies [9].

International experience shows that digital accounting systems such as *SAP*, *IC Accounting*, and *QuickBooks* significantly increase investment transparency and efficiency [10]. In Uzbekistan, pilot implementation of such systems in agricultural and energy sectors has demonstrated up to 12–15% improvement in investment efficiency [11].

### **5. Empirical Findings: Case of Karakalpakstan**

According to the Ministry of Economy of the Republic of Karakalpakstan, between 2020 and 2024, over 1.2 trillion soums were invested in regional agricultural and industrial enterprises [12]. Accounting data from 15 sample firms were analyzed to assess the link between accounting transparency and investment efficiency.

The study revealed that enterprises maintaining full financial reporting and IFRS-aligned accounting practices showed:

- Higher ROI (average 18%)
- Shorter investment payback periods (3–4 years)
- Lower financial risk levels by 10–12%

In contrast, firms with weak accounting documentation or delayed reporting exhibited inconsistent investment results and higher risk exposure [13].

For instance, “Qaraqalpaq Agro Invest LLC” implemented digital accounting software and IFRS-based reporting in 2022, leading to a 16% improvement in capital utilization and accelerated cash flow turnover [14].

### **6. Recommendations**

To strengthen the role of accounting in investment activities, the following measures are recommended:

1. Gradual transition to IFRS: Mandatory IFRS adoption for medium and large enterprises by 2030.
2. Professional capacity building: Continuous training of accountants and auditors on international standards.

3. Digital transformation: Implementation of integrated financial management systems across all investment entities.
4. Audit transparency: Strengthening independent audit institutions to verify investment efficiency.
5. Policy support: Introducing tax incentives for enterprises applying transparent accounting and reporting systems [15].

### **7. Conclusion**

Accounting plays a decisive role in the development of investment activities by ensuring financial transparency, control, and analytical accuracy. The experience of Uzbekistan and Karakalpakstan demonstrates that reliable accounting information contributes to better resource allocation, higher investment returns, and increased investor confidence.

Transitioning toward IFRS and digital accounting practices will enhance the overall investment climate and accelerate the integration of Uzbekistan's economy into the global financial system. Thus, improving accounting in investment activity is not only a technical requirement but also a strategic factor of national economic development.

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