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Ozod Ilkhomjonovich Mansurov  
unemployed  
Independent researcher, Uzbekistan

## IMPROVING INVESTMENT ACCOUNTING AND AUDITING IN COMMERCIAL BANKS

**Abstract:** The article discusses the issues of improving the accounting and audit of investments, taking into account the improvement of the financial condition of commercial banks. Based on this, the financial performance of commercial banks in Uzbekistan was analyzed, conclusions and recommendations were formed.

**Key words:** commercial banks, investment, investment accounting, investment audit.

**Language:** English

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### Introduction

The active participation of commercial banks in the investment process plays an important role in modernizing the economy and increasing the economic potential of the country.

Attracting free funds of the population, business entities and other investors, including foreign investors, to the capital of commercial banks, raising the level of bank capitalization by issuing bank shares, their active placement in the stock market, creating new modern production structures of commercial banks, developing competitive and export-oriented products. with its own capital to participate in investment processes and increase employment in the expansion of output.

Banking organizations are engaged in lending to a large number of customers. Of course, in such circumstances, the financial situation of all customers is not the same, and the timely repayment of loans becomes a problem.

In the context of modernization and stabilization of the economy, the development of commercial banks will be carried out through the active expansion of its investment activities. The investment introduces modern technologies, introduces resource-saving technologies, creates a production complex for the production of new types of products. Effective investment of resources in the fixed capital of commercial banks can be made on the basis of

accurate and complete information on the amount of costs, directions of use of investment resources and the timely creation of investment facilities.

### Literature review

The legislation recognizes investments as tangible and intangible assets and rights to them, including rights to intellectual property, as well as reinvestments, which are made by the investor on the basis of risks in the social sphere, business, scientific and other activities for profit [1].

Prof. A.Vakhobov substantiated the proposal to increase the volume of commercial loans, including investment loans, by strengthening the resource base of commercial banks [2].

The concept of investment is understood differently in business entities in the areas of accounting, auditing and a number of areas.

First, investments are perceived as an ongoing investment process (investment transactions).

Second, it refers to the sources of investment or the objects of investment forms.

Third, investment means the target direction of the business entity (investment activity) [3].

The financial account records the economic operations of commercial banks in the past. This situation makes it possible to use this information to make investment decisions.

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Development of investment management audit in commercial banks necessitates systematization of methods used by audit organizations in the process of evaluation of investment projects, development of investment strategies and determination of the results of investment projects.

**Main part**

Investment accounts in commercial banks are developed in accordance with the laws of the Republic of Uzbekistan "On the Central Bank of the Republic of Uzbekistan", "On Banks and Banking", "On Auditing", "On Accounting" and other legislation, and internal audit in commercial banks must comply with the requirements set by the Central Bank of Uzbekistan.

According to the legislation, the Bank's Board should monitor the audit service to assess the effectiveness of the audit service based on the quality of assets, credit and investment portfolio and other indicators of banking activity [4].

Investment portfolio management includes::

- portfolio planning;
- analyzing the portfolio content and managing it;
- adherence to the level of liquidity required to form and maintain the portfolio;
- reducing costs in portfolio management activities, etc.

The transformation of commercial banks into large investment institutions, in turn, will play an important role in achieving economic stability [5]. The main purpose of investment activities by commercial banks is to ensure their profitability and liquidity. Economy of developed countries Investment policy of commercial banks is one of the main areas of banking and plays a key role in ensuring the liquidity of banks.

In particular, in 2019, JSCB Agrobank has established cooperation with 6 international financial institutions for a total of 348.3 million soums. Agreements were signed to attract credit lines in the amount of US dollars [6].

It should be noted that Commerzbank AG, one of the largest banks in Europe, Landesbank Baden-Wuerttemberg, AKA Bank, Credit Cuisse, Eximbank, the Islamic Corporation for the Development of the Private Sector in Hungary, and the Exim Bank of China will sign 95.4 mln. USD disbursed to finance more than 40 investment projects of bank clients [6].

In 2019, the investment portfolio of JSCB Agrobank will reach 270.6 billion. soums or 1.5% of the bank's assets, the volume of investments amounted to 114.8 billion soums compared to the beginning of the year. Revenues from securities transactions increased by 173.6% to 16.5 billion soums. soums (Table 1).

**Table 1. As of January 1, 2020, the share of securities in the investment portfolio of JSCB Agrobank [6], billion sum**

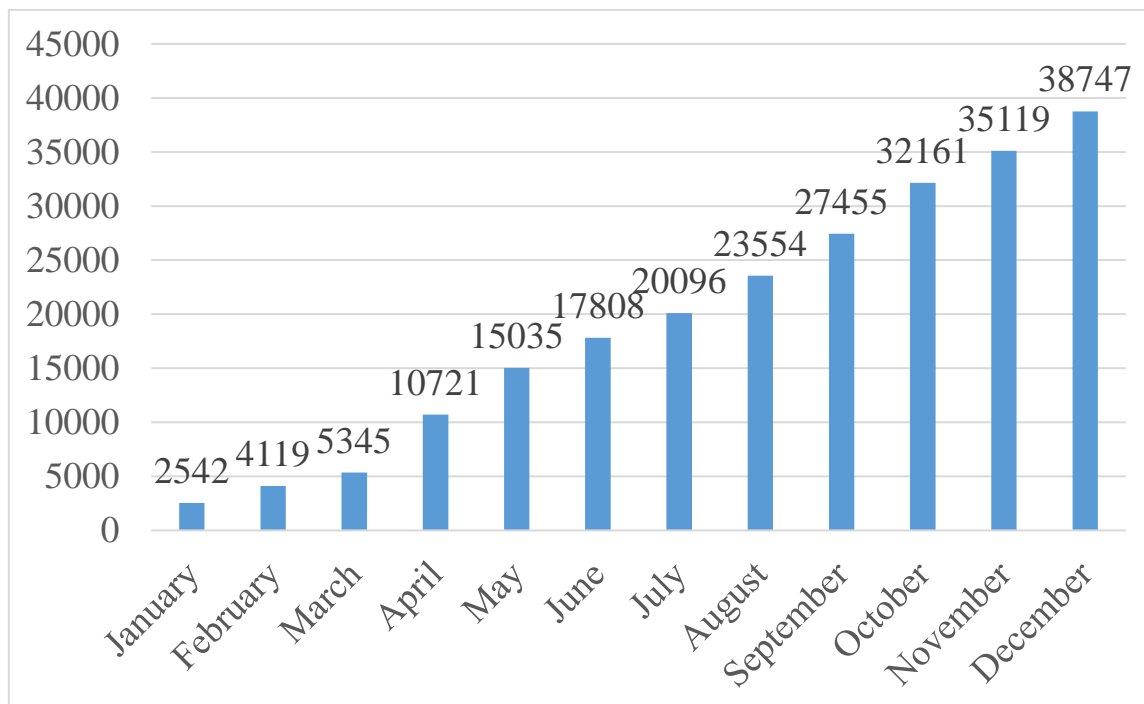
#	Name of securities	The amount of investment for 01.01.2020	Share in the securities portfolio	Income received on 01.01.2020	Percentage of income received, in percent
1.	Government medium-term bonds	96,0	35,4	9,7	58,4
2.	Corporate shares and stakes	170,1	63,0	6,3	38,3
3.	Certificates of deposit	4,5	1,6	0,5	3,3
	Total	270,6	100,0	16,5	100,0

In modernizing our economy, technical and technological renewal, sharply increasing its competitiveness, increasing export potential, creating new productions based on innovative and energy-saving technologies, mastering the production of new

types of goods in demand in the world market, thereby ensuring financial and economic stability The investment policy pursued by the system is bearing fruit (Fig. 1).

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**Fig.1. Investment loans issued by commercial banks in 2018, mln. sum**

The purpose of the investment audit of commercial banks should include:

1. Ensuring that the bank's investment activities are accounted for in accordance with the requirements of laws and regulations;
2. Determining whether the income (expenses) from investment activities is reflected in the income (expenses) account in a timely manner;
3. Confirm the balance of the investment account.

The following are noted as sources of verification:

- balance;
- statement from personal account;
- daily residual value;
- distribution of investments;
- reports.

The auditor is required to consider the possibility of increasing the audit of investments in the bank or its branch and make the necessary recommendations. The calculation of the bank's capital also checks the calculation and payment of dividends to shareholders.

In addition, in reviewing this section, attention will be paid to the following:

- review and respond to investment inquiries;
- timely preparation of reports on the investment portfolio and submission to the appropriate places;
- completeness of documents in the investment portfolio collection folder;

- status of concluded contracts and degree of legal examination;
- creation of reserves for expected losses from investment activities, etc..

Investment activity of banks is the activity of a bank as an investor in connection with the purchase of financial assets, creation of real assets and placement of funds for the purpose of earning income [7]. The difference between the investment activities of banks and other investors is that they make investments at the expense of borrowed funds. Therefore, if a bank appears in the market as an investor on the one hand, on the other hand, it is a debtor. This situation makes liquidity an important issue for banks, which requires balanced management of assets and liabilities in terms of maturity, volume and interest rates.

When we talk about the stable growth rates in Uzbekistan, the reason and factor for this is, first of all, the growing capital investment in our economy. Therefore, the country pursues an active investment policy and takes consistent measures to modernize and modernize sectors of the economy. Agrobank, which is an active participant in this process, also pays special attention to the financing of investment projects..

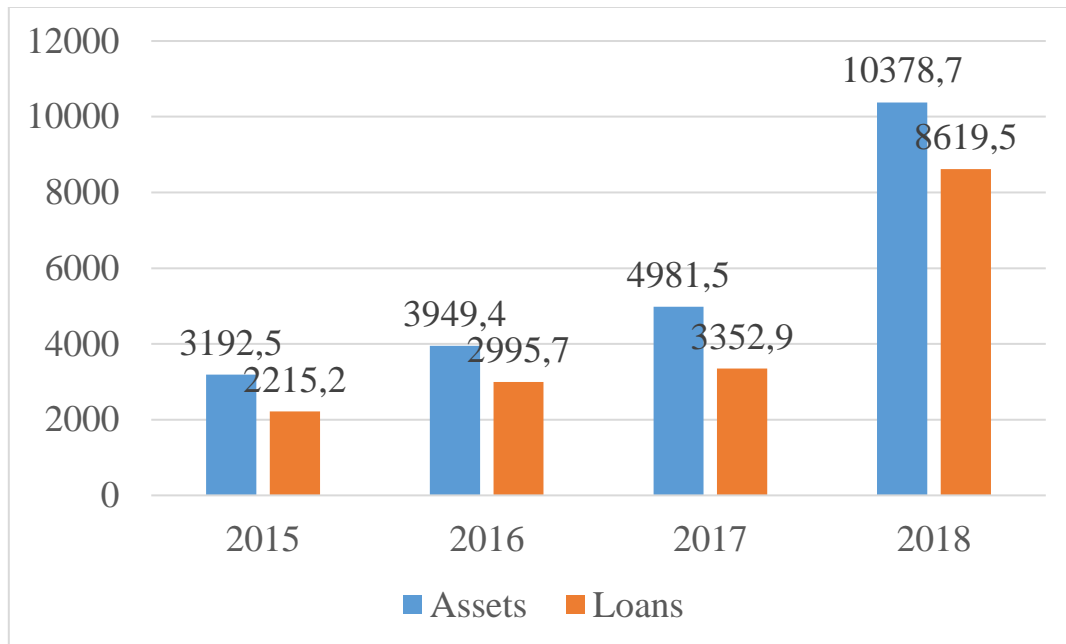
We can see that commercial banks have stable indicators (Table 2).

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**Table 2. Key indicators of commercial banks [8], mln. Sum**

Name of indicators	01.01.2019	01.01.2020	Nominal growth, in percent
Bank assets, total	214 420	272 727	27,2%
Credit investments, total	133 751	211 581	58,2%
Total deposits attracted	70 001	91 009	30,0%
Total capital	26 679	51 031	91,3%

Growth rates are also observed in JSCB Agrobank (Fig. 2). Agrobank's assets and loans are growing.



**Fig. 2. Information on assets and loans of Agrobank [9], mln. sum**

The main source of financing the investment activities of commercial banks in developed countries are time and savings deposits attracted from customers. This is because, firstly, capital is a relatively expensive form of financing the activities of commercial banks; secondly, by the nature of the activity of commercial banks, they are commercial organizations engaged in attracting temporarily free funds of the population and enterprises to deposit accounts and placing them in the form of loans, investments; third, interbank loans are a relatively expensive financial resource, so their use in financing active operations leads to an increase in interest expenses of commercial banks; fourth, commercial banks do not have the right to use transactional deposits directly, ie without concluding a fixed-term deposit agreement [10].

It is necessary to analyze the maturity of loans to assess the qualitative changes in the structure of credit investments in the economy by commercial banks of

the country. Long-term loans account for 76.8% of the loan portfolio of banks of the country<sup>1</sup>. This is, first of all, an indication of the growing lending activities of commercial banks; secondly, it shows the active involvement of banks in the process of financing investment projects; thirdly, it indicates the growing demand of the population and businesses for loans from commercial banks to finance investments. The volume of investment loans of commercial banks of the country is influenced by such factors as the refinancing rate of the Central Bank, mandatory rates on deposit interest rates, interest rates on long-term loans and inflation.

Banks need to improve the quality of expertise of investment projects and open credit lines for real effective projects [11]. However, there are also unjustified investment projects, which do not require products produced as a result of their launch, they are not exported or exported in very small quantities, enterprises do not work at the capacity specified in the

<sup>1</sup> [www.cbu.uz](http://www.cbu.uz) - Information of the website of the Central Bank of the Republic of Uzbekistan

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project, and they are not adequately supplied with raw materials. will depend. As a result, loans obtained to finance an investment project and their interest are not repaid on time. If these loans are taken in foreign currency, enterprises will have a harder time repaying them due to exchange rate fluctuations. Therefore, it is expedient for banks to improve the quality of examination of investment projects, to involve international experts in the examination of large and complex projects. In particular, it is advisable for these foreign banks to participate in the examination of projects financed by foreign bank credit lines.

### Conclusion

In the process of investing in commercial banks, it is advisable to take the following measures:

- the use of information technology in the investment activities of a commercial bank and the automated analysis of data;

- it is necessary to organize regular receipt of information from organizations and enterprises in investment operations;

- business plans for attracting investment from new customers should be examined in detail;

- to propose new types of investment projects in order to increase the bank's profitability;

- it is necessary to appoint the staff responsible for the work to be performed on the document to conduct accounting and audits in the bank;

- it is necessary to monitor and audit (control) over the financial condition of customers who have received investment projects;

- it is necessary to further improve the practice of lending by commercial banks to financially stable enterprises.

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