



## Continued Enhancement of Accounting and Reporting Challenges in Non-Governmental Non-Profit Organizations in Uzbekistan

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**Abstract:** Non-state non-profit organizations (NSNPOs) hold a prominent position in contemporary organizational structures due to their focus and financial support. The past three decades are characterized. There are notable changes in the accounting and reporting reforms of NSNPOs, which vary according on the country they operate in. Uzbekistan has made substantial progress in establishing the regulatory and legal framework for non-profit organizations (NSNPOs) through structural reforms and legislative changes. This article examines the accounting and reporting procedures of NSNPOs (non-state non-profit organizations) internationally, identifies potential areas for adoption, and suggests recommendations for enhancing the performance of NSNPOs in Uzbekistan.

**Keywords:** non-state, nonprofit, NSNPO, Uzbekistan.

The fundamental purpose for the formation of non-profit organizations is the presence of numerous social and political groups in our contemporary society that offer services and engage in activities for the benefit of society.

Financial reporting is a crucial component in holding non-state non-profit organizations accountable for their actions and finances (Morgan, (Crawford and Cordery, 2014). The financial reporting and accounting concerns of non-state nonprofit organizations (NSNPOs) are a highly discussed topic on the agenda, which has presented various problems that need to be addressed with the cooperation of the larger international community. Income sources and expenditure groups may vary across different entities or businesses. Their profits and expenses are acknowledged and distributed among several community-oriented goals that have a strong social nature. Thus, in the realm of international practice, Non-State Non-Profit Organizations (NSNPOs) are granted several privileges and are exempted from specific taxes and obligatory fees. Nevertheless, as a functioning organization, they are obligated to provide a report (at minimum once a year) to public authorities regarding their financial position and performance. However, their operational scope and financial standing are completely distinct from any other type of organization. By the legal statutes and rules of the majority of nations, all registered Non-State Non-Profit Organizations (NSNPOs) must establish and uphold a system for documenting and submitting all financial transactions conducted by them, to execute projects and manage their organization. Given the importance of finances in organizational management, it is advisable to establish an accounting policy to ensure that procedures are followed, hence maintaining an effective, transparent, and easily controllable accounting system.

The current body of literature from practitioners and academics on accounting and auditing of non-profit organizations (NSNPOs) strongly advocates for accounting methods that provide transparency and incorporate the perspectives of beneficiaries and public authorities. However, these ideas are primarily based on conceptual reasoning and lack substantial empirical evidence.

Moreover, there is a notable absence of autonomous research on the influence on financial status that has been crucial in broadening their responsibility. The research that has examined this matter has typically been narrowly concentrated on certain non-profit organizations. As a result, they have been unable to offer a comprehensive understanding of the local-level challenges related to the establishment and



execution of innovative accounting and auditing methods. The purpose of this article is to examine how various accounting and audit methods affect the effectiveness of developed countries' activities, based on their experiences. This paper aims to contribute to the development of accounting and reporting policies for NSNPOs that will enhance efficiency and effectiveness through investigative research.

Study of the methods and techniques used to conduct research.

This article is based on the main discoveries of a comprehensive scientific study carried out in the field of non-state sector firms that are not motivated by profit and function to promote societal development. This extensive research is undertaken using a retrospective and comparative approach, employing comparative approaches.

Research instruments that are based on empirical evidence. From a purely practical perspective, the research technique provided insight into the recent history of NSNPO accounting and policy advancements, with a particular emphasis on their effectiveness. Furthermore, a cost-benefit analysis is conducted to evaluate the impact of the implemented actions in real-time.

4. Review of the existing literature. Authors in numerous literary works have discovered that the accounting challenges faced by non-state non-profit organizations (NSNPOs) are both arduous and demanding. Researchers and professionals conducted research and studies on various topics of accounting, reporting, and taxation. Nevertheless, they obtained varied outcomes in different nations due to variations in accounting control rules. In 1992, Haim Falk examined the theoretical explanations for the phenomenon of non-state non-profit organizations (NSNPOs). He differentiated between these organizations and for-profit entities, categorized NSNPOs based on two dimensions, and proposed an accounting framework that aligns with both the economic characteristics of NSNPOs and the decision-making process of giving. Peter Reynard examined modern methodologies for accounting, auditing, and reporting in non-profit organizations (NSNPOs) in 1998. They encountered obstacles such as excessive dependence on external funding and appropriately evaluating social performances. The author examined the techniques employed by different Non-State Non-Profit Organizations (NSNPOs) to evaluate their social effectiveness. Marc Jegers (2002) conducted a study on the economic theory of non-profit accounting and auditing, specifically focusing on agency-based aspects. He formulated thirteen hypotheses that were experimentally testable in order to examine the existence, characteristics, and quality of these aspects. In 2014, Morgan, Crawford, Bryn, and Cordery released the results of a cross-national study conducted to investigate the rationale behind establishing global guidelines for financial reporting by NSNPOs. Their study evaluated the level of agreement about the creation of global accounting standards for NSNPOs and identified certain concerns that hindered accountability and needed to be addressed in the development and adoption of these standards.

In conclusion. The number and influence of NSNPOs in Uzbekistan are growing because of their societal significance. Their mission is to not only support policies for socio-economic growth but also to promote the financial sector.

On a greater scale. NSNPOs are currently undergoing a comprehensive financial reform aimed at promoting development and improving their impact. Given Uzbekistan's transitional nature and the speed at which it is adopting market principles, certain adjustments are needed to accommodate new fiscal and accounting regulations. Despite being classified as non-profit organizations, NSNPOs are nonetheless subject to favourable tax rates on their income generated from commercial activities, such as rental income and service fees. In addition, implementing a cost-based performance approach to accounting in NSNPOs provides an opportunity to enhance openness in reporting and provide more equitable accountability for stakeholders. The introduction of new ledger accounts for income structure allows NSNPOs to categorize their received revenue into taxable and non-taxable categories, resulting in a clearer grouping. This, in turn, enhances their financial viability. The following policy-oriented recommendations propose measures to ensure the financial sustainability of NSNPOs:

- Track revenue, support, and expenses, and analyze the data by comparing it to previous periods or budgeted amounts;



- Evaluate the financial state of NSNPO to decide if it is suitable to expand operations;
- Assess if additional fundraising efforts are necessary to cover any revenue shortfalls;
- Evaluate management's proficiency in utilizing funds to fulfil NSNPO's mission.

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