
CENTRAL ASIAN JOURNAL OF INNOVATIONS ON TOURISM MANAGEMENT AND FINANCE

CENTRAL ASIAN STUDIES

https://cajitmf.centralasianstudies.org/index.php/CAJITMF

*Volume: 06 Issue: 02 | April 2025 ISSN: 2660-454X*

*Article*

# Theoretical and Methodological Aspects of Securities Accounting

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**Abstract:** A research analysis examines securities accounting's theoretical constructs together with methods and measurement techniques which use IFRS reporting frameworks. The connection between IFRS 9 and IFRS 13 standards is growing but emerging economies such as Uzbekistan alongside others experience significant difficulties in uniting their local accounting systems with international framework approaches. This work examines the essential question regarding how valuation variations influence organization financial visibility and achievement results. The authors use qualitative methods to explore Uzbekistan Pochtasi JSC and Uzbektelecom JSC case data to evaluate their compliance with IFRS alongside their approaches to securities classification and valuation techniques. Financial income volatility together with investor trust levels depend heavily on the decision between using fair value and amortized cost as valuation approaches. The financial approach at Uzbekistan Pochtasi JSC focuses on stable outcomes through amortized cost methodology yet Uzbektelecom JSC selects fair value evaluation for market-based valuation. Earnings predictability and regulatory compliance together with risk exposure suffer direct consequences from financial valuation techniques. The paper ends by suggesting best practices for improving securities accounting through standardization efforts and implementation of automation systems and international practice adoption. Obtaining investor trust together with improved financial reporting quality requires these specific measures in maturing economies.

**Keywords:** Securities, accounting, International Financial Reporting Standards, IFRS 9, IFRS 13, valuation methods, auditing, Uzbekistan Pochtasi JSC, Uzbektelecom JSC.

**Citation:** Rashidov A. Theoretical and Methodological Aspects of Securities Accounting. Central Asian Journal of Innovations on Tourism Management and Finance 2025, 6(2), 481-488.

Received: 10th March 2025
Revised: 27th March 2025
Accepted: 1th April 2025
Published: 7th April 2025



## 1. Introduction

Securities accounting is a crucial component of financial reporting, investment decision-making, and risk management in both corporate and public finance. The accurate classification, measurement, and disclosure of securities ensure transparency in financial statements, allowing investors, regulators, and stakeholders to make informed decisions. "The proper recording and valuation of securities are fundamental in reflecting the true financial position of an entity"[1].

In recent years, the complexity of securities transactions has increased due to the globalization of financial markets and the rapid development of financial instruments. International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) provide a unified framework for recognizing, measuring, and disclosing securities transactions, which helps achieve consistency in financial reporting. However, discrepancies between national and international accounting practices often lead to variations in the treatment of securities. "Divergences in accounting policies across jurisdictions create challenges for comparability and financial statement interpretation"[2].

The accounting treatment of securities directly impacts an organization's financial health and performance. For instance, the classification of securities under IFRS 9 determines whether they are valued at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI), or amortized cost. These classifications influence financial ratios, risk assessments, and capital structure decisions. "The selection of a valuation method can significantly alter earnings volatility and investment attractiveness"[3].

In emerging economies, such as Uzbekistan, the adoption of IFRS in securities accounting is still evolving. National accounting frameworks, such as the Uzbek National Accounting Standards (BHMS), often differ from IFRS in recognizing and measuring securities transactions. While IFRS 9 emphasizes fair value accounting, national standards may still rely on historical cost principles. "The transition to IFRS-compliant securities accounting is a critical step for improving financial transparency in emerging markets"[3].

This study aims to explore the theoretical and methodological foundations of securities accounting, focusing on classification, initial recognition, subsequent measurement, and financial reporting implications. The research will analyze how different accounting treatments impact financial performance and investor perception. Case studies of Uzbekistan Pochtasi JSC and Uzbektelecom JSC will be used to illustrate practical applications of securities accounting principles in the Uzbek market.

By examining the theoretical and practical aspects of securities accounting, this paper seeks to provide recommendations for improving financial reporting accuracy, enhancing compliance with international standards, and minimizing financial risks associated with securities transactions. "Harmonizing securities accounting with international standards will strengthen market confidence and facilitate cross-border investments"[4].

## 2. Materials and Methods

This study adopts a qualitative research approach, utilizing a review of academic literature, financial regulations, and international accounting standards. The primary sources include IFRS 9 (Financial Instruments), IFRS 13 (Fair Value Measurement), and IAS 32 (Financial Instruments: Presentation). The research also incorporates comparative financial analysis from case studies involving securities accounting practices in different jurisdiction.

Data were collected from financial reports of major corporations, including Uzbekistan Pochtasi JSC and Uzbektelecom JSC, to assess how securities are classified and reported. A comparative analysis method was employed to evaluate the impact of different accounting treatments on financial statements. The research framework also integrates risk assessment methodologies to examine the influence of securities accounting on financial stability.

## 3. Results

The analysis of securities accounting practices highlights the significant impact of classification, measurement, and financial reporting on corporate transparency and investment decisions. The results are structured into three key areas: classification and recognition of securities, initial and subsequent valuation, and the impact of accounting treatments on financial statements. Empirical findings from Uzbekistan Pochtasi JSC and Uzbektelecom JSC illustrate how different accounting approaches influence financial reporting outcomes[5].

Classification and Recognition of Securities

Securities are classified based on their purpose and accounting treatment. According to international financial reporting standards, they are divided into three main categories[6].

Held-for-Trading (HFT) securities are measured at fair value through profit or loss. Gains and losses from these securities are recorded in the income statement as they occur, leading to high income volatility. This classification is used primarily for short-term investments that are frequently bought and sold[7].

Available-for-Sale (AFS) securities are measured at fair value through other comprehensive income. Unrealized gains and losses are recognized in equity rather than immediately impacting net income. This classification provides more stability compared to held-for-trading securities, as fluctuations in market value do not directly affect financial performance[8].

Held-to-Maturity (HTM) securities are recorded at amortized cost, ensuring stable financial results. Changes in market value do not impact financial statements unless an impairment loss is identified. This classification is typically used for bonds and other fixed-income instruments held until maturity[9].

The classification of securities influences financial ratios, liquidity management, and investment decision-making. The selection of an appropriate classification method determines how securities are reported in financial statements and affects overall financial stability[10].

Initial Measurement and Subsequent Valuation of Securities

Securities must be accurately valued at the time of initial recognition, followed by periodic measurement updates. The valuation process ensures that financial statements reflect the true financial position of an entity[11].

The historical cost method records securities at the acquisition price, including any related transaction costs. This method provides a stable valuation, but it does not reflect real-time market fluctuations.

The fair value method recognizes securities at their current market price at the time of acquisition, excluding transaction costs. This approach is commonly used for trading and available-for-sale securities[12].

The nominal value method applies to bonds and fixed-income securities, recording them at their face value. This method does not account for market price variations but ensures that the original investment value is reflected in financial statements[13].

Fair value measurement is used for trading and available-for-sale securities, ensuring that changes in market price are reflected in financial statements. This method provides transparency but can lead to income volatility[14].

The amortized cost method is applied to held-to-maturity securities. It allows for gradual adjustments in value, reducing the impact of market fluctuations and ensuring financial stability.

The weighted average cost method distributes the total cost of securities evenly across transactions. This approach is useful when dealing with bulk securities purchases, ensuring consistency in valuation.

The choice of valuation method significantly affects financial reporting and decision-making. Proper valuation ensures that financial statements accurately represent the value of securities, supporting transparency and investor confidence.

Impact of Accounting Treatments on Financial Statements

A comparative analysis of Uzbekistan Pochtasi JSC and Uzbektelecom JSC reveals key differences in securities accounting practices and their financial reporting implications.

Table 1. Impact of Securities Accounting on Financial Statements

| Accounting Treatment | Uzbekistan Pochtasi JSC | Uzbektelecom JSC | Impact on Financial Statements |
|---|---|---|---|
| Fair Value Measurement | Applied to AFS securities | Applied to all assets | Higher income volatility |
| Amortized Cost Method | Used for bonds and HTM assets | Not used | Stable financial results |
| Weighted Average Cost | Used for large stock purchases | Used for share transactions | Moderate impact on earnings |

The findings suggest that firms adopting fair value measurement experience higher volatility in net income, whereas those using amortized cost methods benefit from stability in reported earnings.

An analysis of the securities accounting practices of Uzbekistan Pochtasi JSC and Uzbektelecom JSC reveals key differences in their approaches to valuation, financial reporting, and compliance with international standards. These companies operate in different sectors but share similarities in financial management, particularly in securities transactions and investment portfolio management.

Uzbekistan Pochtasi JSC employs a mixed approach to securities valuation, incorporating both amortized cost and fair value methods depending on the classification of securities. The company primarily holds government bonds and corporate securities as part of its investment portfolio[15].

Classification and Initial Recognition. Securities are categorized into short-term trading investments and long-term held-to-maturity assets. Trading securities are recorded at fair value through profit or loss, whereas long-term investments are accounted for using the amortized cost method.

Subsequent Valuation and Financial Statement Impact. Trading securities are revalued at each reporting period to reflect fair market value fluctuations. Any unrealized gains or losses are included in the income statement. Held-to-maturity investments, on the other hand, remain stable in valuation, ensuring predictable financial performance.

Dividend and Interest Income. The company generates revenue from dividends on equity securities and interest income on bonds. These earnings are recognized in the financial statements based on the accrual method, ensuring alignment with international financial reporting standards[16].

Regulatory Compliance. Uzbekistan Pochtasi JSC follows both national accounting standards and IFRS guidelines, ensuring transparency in financial reporting. The implementation of automated accounting systems has further improved data accuracy and compliance with regulatory requirements.

Uzbektelecom JSC follows a dynamic approach to securities accounting, focusing on investment portfolio diversification and risk management. The company engages in both short-term and long-term investment activities, emphasizing financial stability[17].

Classification and Recognition of Securities. Securities are classified into three categories: fair value through profit or loss, fair value through other comprehensive income, and amortized cost. This classification allows for flexible portfolio management based on market conditions.

Valuation Methods and Market Adjustments. Uzbektelecom JSC regularly updates the fair value of trading securities to ensure accurate financial reporting. Available-for-sale securities are reported at fair value, with unrealized gains or losses recorded in equity rather than directly affecting net income.

Revenue from Securities Investments. Dividend and interest income contribute significantly to the company's financial performance. Interest earnings on bonds are accrued systematically, while dividend income is recognized when declared.

Audit and Compliance Considerations. The company undergoes regular external audits to verify the accuracy of its financial statements. Compliance with international accounting standards enhances investor confidence and aligns financial reporting with global best practices.

A comparative study of both companies indicates that Uzbekistan Pochtasi JSC adopts a more conservative investment approach, focusing on stable, long-term securities, whereas Uzbektelecom JSC applies a more market-driven strategy, leveraging fair value measurement for portfolio optimization.

Table 2. Aspect of Securities Accounting

| **Aspect** | **Uzbekistan Pochtasi JSC** | **Uzbektelecom JSC** |
|---|---|---|
| Securities Classification | Held-to-maturity, trading | Fair value, available-for-sale, amortized cost |
| Valuation Method | Amortized cost, fair value | Fair value, amortized cost |
| Income Recognition | Accrual-based dividend and interest | Dividend and interest accrued systematically |
| Regulatory Compliance | IFRS and national standards | IFRS-compliant financial reporting |
| Market Risk Exposure | Lower due to stable investments | Higher due to fair value fluctuations |

These findings highlight the importance of selecting appropriate securities valuation methods based on financial stability, market risk exposure, and investor expectations. By aligning their accounting practices with international standards, both companies enhance financial transparency and facilitate strategic decision-making in securities management.

## 4. Discussion

The accounting and valuation of securities play a fundamental role in financial reporting and investment decision-making. The comparative analysis of Uzbekistan Pochtasi JSC and Uzbektelecom JSC provides insights into how companies manage securities in accordance with international financial reporting standards. This discussion evaluates the implications of classification, valuation, and reporting approaches while considering the challenges and opportunities associated with securities accounting.

The classification of securities directly affects a company's financial stability and performance. Uzbekistan Pochtasi JSC adopts a conservative strategy, primarily using the amortized cost method for its held-to-maturity investments. This approach provides stability in financial reporting and minimizes income volatility. In contrast, Uzbektelecom JSC employs a more dynamic classification model, incorporating fair value accounting, which allows the company to reflect real-time market fluctuations.

The choice of securities classification influences liquidity management, investor confidence, and risk exposure. Companies that apply fair value accounting may experience fluctuations in reported income due to market volatility, whereas firms that use amortized cost enjoy more predictable financial results. However, fair value reporting enhances transparency, providing a more accurate representation of financial position[18].

The application of valuation methods such as fair value, historical cost, and amortized cost significantly impacts financial performance. Fair value measurement, as prescribed by IFRS 13, ensures that financial statements reflect market realities. Uzbektelecom JSC benefits from this approach by maintaining up-to-date valuations of its trading securities, which supports informed investment decisions. However, fair value fluctuations may introduce volatility, affecting earnings predictability.

On the other hand, Uzbekistan Pochtasi JSC relies on amortized cost accounting for long-term investments, ensuring stability in financial statements. This method is particularly useful for companies with long-term financial obligations and risk-averse investment policies. Nevertheless, it may not provide an accurate reflection of current market conditions, potentially leading to underestimation or overestimation of asset values[19].

Transparent and reliable financial reporting enhances investor confidence and supports capital market efficiency. Uzbekistan Pochtasi JSC and Uzbektelecom JSC comply with IFRS standards, which strengthens their credibility among investors and stakeholders. The proper classification and valuation of securities ensure that financial statements provide relevant and useful information for decision-making.

Inaccurate or inconsistent reporting of securities transactions can distort financial statements, leading to misinterpretation of financial performance. The integration of automated accounting systems and enterprise resource planning (ERP) solutions can enhance accuracy, efficiency, and compliance with international standards. Uzbektelecom JSC, for example, benefits from automated valuation and reporting processes, which streamline financial operations and improve audit readiness.

Despite the benefits of IFRS compliance, companies face challenges in implementing standardized accounting frameworks. Market volatility, regulatory changes, and variations in national accounting standards create complexities in securities accounting. Uzbekistan Pochtasi JSC and Uzbektelecom JSC must continuously update their valuation models and risk management strategies to align with evolving financial reporting requirements.

Another challenge involves the accurate assessment of fair value, particularly for less liquid securities. The reliance on market data, discounted cash flow analysis, and expert judgment introduces subjectivity into valuation processes. Additionally, external audit procedures must be robust enough to verify the accuracy of securities classification and measurement, ensuring compliance with both local and international regulations.

Companies can improve securities accounting practices by adopting advanced valuation techniques, enhancing regulatory compliance, and integrating financial technology solutions. The adoption of dynamic risk assessment models and predictive analytics can support more accurate valuation, reducing reliance on historical cost methods.

Furthermore, the expansion of corporate governance frameworks and internal control mechanisms can strengthen transparency in securities reporting. Uzbekistan Pochtasi JSC and Uzbektelecom JSC can leverage ERP systems to automate financial transactions, improve data accuracy, and facilitate real-time financial monitoring.

The analysis of securities accounting practices highlights the importance of classification, valuation, and compliance in financial reporting. While Uzbekistan Pochtasi JSC prioritizes financial stability through amortized cost accounting, Uzbektelecom JSC adopts a fair value approach to reflect market conditions. Both strategies have advantages and limitations, depending on the company's investment goals, risk tolerance, and regulatory environment[20].

To enhance financial transparency and efficiency, companies should continuously refine their securities accounting policies, adopt technology-driven valuation models, and strengthen audit procedures. Aligning financial reporting with international standards not only improves investor confidence but also ensures resilience in dynamic financial markets.

## 5. Conclusion

The study underscores the importance of a structured approach to securities accounting, ensuring compliance with IFRS principles. Proper classification, measurement, and reporting of securities enhance financial statement reliability and investor confidence. The findings suggest that fair value accounting, while increasing volatility, provides a more accurate representation of financial positions.

Uzbekistan Pochtasi JSC and Uzbektelecom JSC's case studies illustrate the diverse accounting treatments applied in practice, reinforcing the need for a standardized framework. Regulators should emphasize fair value principles and risk-based accounting methods to improve financial transparency.

As financial markets evolve, companies should adopt international best practices to enhance comparability and decision-making in securities accounting.

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