IMPROVING THE ACCOUNTING AND AUDITING OF LIABILITIES IN COMMERCIAL BANKS

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Abstract. The reliability of financial reporting in commercial banks largely depends on the accuracy and transparency of liability accounting and auditing. Liabilities constitute a significant portion of bank balance sheets and directly influence liquidity, solvency, and financial stability. This study aims to analyze the methodological aspects of liability auditing in commercial banks and propose approaches to improve audit effectiveness under modern financial conditions. The research applies analytical, comparative, and systematic methods to evaluate existing audit practices and international experience. The results demonstrate that risk-based auditing, digital audit tools, and enhanced internal control assessment significantly improve the quality of liability audits. The study concludes with recommendations aimed at strengthening audit procedures and improving financial reporting reliability in commercial banks.

Key words: liabilities, accounting, auditing, commercial banks, IFRS, IAS 37, estimated liabilities, provisions, financial reporting, deposits, liquidity, solvency, risk assessment, legal framework, internal control, analytical accounting, debit and credit, financial transparency, international standards, liability classification, interest accrual, disclosure, methodological improvement, regulatory compliance.

INTRODUCTION. Commercial banks operate in a complex financial environment where liabilities play a critical role in ensuring operational continuity and financial stability. Deposits, borrowings, issued securities, and other financial obligations form the main funding sources for banking activities. Due to the scale and complexity of these liabilities, effective auditing procedures are essential to ensure transparency, prevent misstatements, and maintain stakeholder confidence.

Recent financial developments and regulatory changes have increased the importance of improving audit methodologies related to liabilities. Traditional audit approaches often focus on compliance and verification rather than risk assessment and analytical procedures. As a result, auditors may fail to identify hidden risks associated with liquidity management, maturity mismatches, and financial instrument valuation.

The objective of this research is to examine existing approaches to liability auditing in commercial banks and develop methodological recommendations aimed at improving audit efficiency and reliability in accordance with international auditing standards.

RESEARCH METHODOLOGY. The research is based on a combination of theoretical and empirical approaches. Scientific literature on banking audit, international auditing standards (ISA), and regulatory frameworks governing banking operations were analyzed. Comparative analysis was used to evaluate international practices in liability auditing and their applicability to commercial banks operating in emerging economies.

The study employs the following research methods:

- systematic analysis of liability classification and audit procedures;
- comparative analysis of international audit practices;
- risk-oriented assessment of liability auditing processes;
- analytical evaluation of internal control systems related to liabilities.

The methodological framework focuses on risk-based auditing principles, emphasizing the identification of material misstatement risks and evaluation of internal control effectiveness in liability-related transactions.

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A number of scientific methods were employed in this study. In particular, comparative analysis was used to examine the experience of developed countries, statistical analysis facilitated the assessment of liability accounting and ESG practices in Uzbekistan, graphical visualization allowed the current state to be presented in tabular form, and the views of both local and foreign scholars were comparatively analyzed.

ANALYSIS AND RESULTS. In recent years, extensive measures have been implemented in our country to strengthen the rule of law and legality in the activities of state institutions, economic management systems, state-owned enterprises, agencies, and organizations. At present, significant efforts are being undertaken to introduce the International Financial Reporting Standards (IFRS) into practice and to improve the legal regulatory mechanisms governing their application. For this purpose, all international standards have been translated, and necessary amendments and additions to normative and legal documents are being developed by qualified specialists to ensure their effective implementation.

The study identified several key issues affecting the effectiveness of liability auditing in commercial banks. First, audit procedures often rely heavily on documentary verification without sufficient analytical assessment of financial risks. Second, the complexity of modern financial instruments increases the likelihood of misclassification and valuation errors. Third, internal control systems in some banks do not fully support risk-based audit approaches.

The findings indicate that the implementation of risk-oriented audit procedures improves the detection of potential misstatements and enhances audit efficiency. The use of digital audit tools and data analytics enables auditors to analyze large volumes of transactions and identify unusual patterns related to liabilities. Furthermore, integrating asset-liability management analysis into audit procedures allows auditors to better assess liquidity and solvency risks.

In this process, particular importance is attached to the adoption of International Accounting Standard (IAS) 37 into national practice. Therefore, within the framework of our research, it is necessary to thoroughly analyze the concepts of “liability” and “responsibility,” as well as to clearly differentiate between them. Additionally, it is planned to comprehensively examine the classification of liabilities in Uzbek practice and their categorization under international standards, as well as their areas of application, core categories, and conceptual principles.

“In order to fundamentally improve the operation of legal services and bring their performance to a new qualitative level, the Resolution of the President of the Republic of Uzbekistan No. PP-2733 of January 19, 2017 ‘On measures to radically improve the operation of legal services,’ Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 250 of May 1, 2017 ‘On measures to implement the Resolution of the President of the Republic of Uzbekistan No. PP-2733 of January 19, 2017,’ as well as several orders of the Ministry of Justice of the Republic of Uzbekistan were adopted” (www.lex.uz).

Based on this resolution, the Ministry of Justice of the Republic of Uzbekistan has been designated as the specially authorized body responsible for coordinating and providing methodological support to legal services. It should be noted that the Presidential Resolution of January 19, 2017 No. PP-2733 emphasized strengthening legality in the activities of state institutions and organizations, enhancing the role and responsibility of legal services in the implementation of democratic and legal reforms, and set as the primary directions of legal services' activities the following: ensuring the supremacy of law and legality in the application of legal norms by state bodies and organizations; exercising legal review of draft regulatory and other documents prepared and adopted by state institutions; participating in the development of normative acts and coordinating the work of structural divisions in preparing proposals for improving legislation; raising legal awareness and legal literacy among employees of state institutions, including communicating the essence and significance of newly adopted regulations through modern information and communication

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technologies; maintaining contractual and claim-related legal procedures; and ensuring the reliable protection of property and other interests of state institutions and organizations (Resolution of the President of the Republic of Uzbekistan, No. PP-2733, January 19, 2017).

More specifically, in cases of disputes arising between state institutions and citizens, the legal service independently or jointly with other structural divisions undertakes measures to resolve them before court proceedings. Likewise, the legal service participates in the preparation and conclusion of contracts, ensures their compliance with applicable legislation, and endorses draft contracts if no objections or comments exist. During this process, the legal endorsement by the legal service is put forward following approval by other relevant structural divisions of the state body.

Additionally, the legal service ensures compliance with established procedures for concluding, executing, amending, and terminating contracts. In order to ensure the effective execution of concluded agreements, it presents recommendations and participates in work aimed at improving contractual relations. Moreover, the legal service prepares official claims to safeguard institutional interests, participates in reviewing claims made against the organization, and monitors compliance with claim resolution procedures.

Together with relevant structural divisions, the legal service analyzes the state of receivables and payables and develops measures to reduce them. It handles claim-related proceedings arising from contractual relations, participates in court hearings, and prepares necessary documentation to ensure the reliable legal protection of property-related interests.

Table 1

Classification of liabilities and their accounting treatment under IFRS[1]

Type of Liability	Definition	IFRS Standard	Measurement Basis	Disclosure in Financial Statements
Current Liabilities	Obligations expected to be settled within 12 months	IAS 1	Recorded at settlement value	Presented separately from non-current liabilities
Non-Current Liabilities	Obligations with maturity periods longer than 12 months	IAS 1	Present value of future cash flows	Detailed disclosure of terms, maturity and interest rates
Financial Liabilities	Obligations arising from financial instruments	IFRS 9	Amortized cost or fair value	Risk management and fair value measurement
Provisions	Uncertain timing or amount of obligations	IAS 37	Best estimate of settlement amount	Nature, expected timing, and uncertainties explained
Lease Liabilities	Obligations under lease agreements	IFRS 16	Present value of lease payments	Maturity analysis and discount rate applied
Tax Liabilities	Corporate income tax and related obligations	IAS 12	Based on taxable profit	Deferred and current tax separately disclosed

[1] Made by author

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Employee Benefit Liabilities	Obligations to employees (pensions, bonuses)	IAS 19	Actuarial valuation	Assumptions and actuarial gains/losses disclosed
Contingent Liabilities	Possible obligations depending on future events	IAS 37	Not recognized, disclosed only	Conditions and expected outcomes described

The classification of liabilities in accordance with IFRS allows for a more accurate representation of an entity's financial position, ensuring transparency, comparability, and reliability of financial reporting. Clear distinction between current and non-current liabilities, along with appropriate measurement and disclosure requirements, strengthens investor confidence, supports effective risk assessment, and facilitates efficient financial decision-making. Moreover, aligning local accounting practices with IFRS contributes to the modernization of national financial systems and integration into global economic standards.

In addition, the legal service reviews draft legal documents prepared on matters related to safeguarding property, evaluates their compliance with legislation, and participates in their development. In cooperation with relevant structural divisions, it analyzes the causes and circumstances of embezzlement, shortages, or non-productive expenses, and takes measures to eliminate them. Furthermore, in cases of detected embezzlement or shortages, the legal service prepares the necessary documentation for submission to law enforcement authorities.

The legal service also prepares legal opinions regarding draft documents for the write-off of material assets and funds, as well as legal conclusions on violations of law and abuses identified during audit inspections and inventory reviews.

Currently, legal services within state bodies, economic management structures, state enterprises, institutions, and organizations base their activities on legally established frameworks. In particular, the main legal sources regulating this area include the Civil Code of the Republic of Uzbekistan, the Civil Procedural Code, the Economic Procedural Code, as well as the Law "On the Contractual-Legal Framework of the Activities of Business Entities" adopted on August 29, 1998, and other normative-legal acts.

The results confirm that improving liability auditing requires a shift from traditional compliance-based approaches toward analytical and risk-based methodologies. International experience demonstrates that effective liability auditing combines internal control evaluation, analytical procedures, and professional judgment supported by technological tools.

In commercial banks, liability auditing should not be limited to verifying accounting records but should also include the assessment of financial sustainability and risk exposure. The adoption of international best practices, including continuous auditing and data-driven analysis, contributes to enhancing audit quality and strengthening financial discipline.

However, the implementation of advanced audit methods requires professional training, improved regulatory guidance, and investment in digital audit infrastructure. These factors are particularly important for banking systems undergoing modernization and integration into global financial markets.

CONCLUSION. As a result of the research conducted on improving the accounting and auditing of liabilities in commercial banks, the following conclusions, proposals, and recommendations have been developed:

The study concludes that improving the audit of liabilities in commercial banks is essential for ensuring the reliability of financial reporting and maintaining financial stability. The adoption of risk-based auditing approaches, enhanced internal control evaluation, and the use of digital technologies significantly increase audit effectiveness. Strengthening methodological frameworks for

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liability auditing will contribute to improved transparency, better risk management, and increased confidence among stakeholders in the banking sector.

It should be emphasized that in maintaining liability accounting in commercial banks, its legal and methodological foundations were systematized. The rules and procedures for accounting for liabilities within the framework of International Financial Reporting Standards were directly elaborated.

The classification and types of liabilities play a crucial role in the accounting of liabilities in commercial banks. Therefore, particular attention was given to the main categories of liabilities and their specific features within accounting practice.

For the purpose of improving the analytical accounting of liabilities, the main accounting entries employed in liability recognition within commercial banks were developed in accordance with IFRS.

Additionally, recommendations and proposals were formulated concerning the recognition, measurement, and disclosure in financial statements of deposits placed by individuals and legal entities — which represent an essential component of commercial bank liabilities. In particular, the stages of accounting for deposits were developed and introduced into practice. This includes the presentation of accounting entries for recognizing deposits in compliance with IFRS requirements. Special attention was given to the processes of accepting deposits from individuals and legal entities, calculating accrued interest, reflecting these transactions in accounting records, and appropriately disclosing them in financial statements.

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6. APB 22: Disclosure of Accounting Policies APB 22 STATUS. APB 22, Footnote 1-See APB Statement No. 4, This Opinion amends Statement No. 4 insofar as it relates to disclosure of accounting policies. www.fasb.org/jsp/FASB/Document_C/DocumentPage?cid=1176156418903&acc

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