

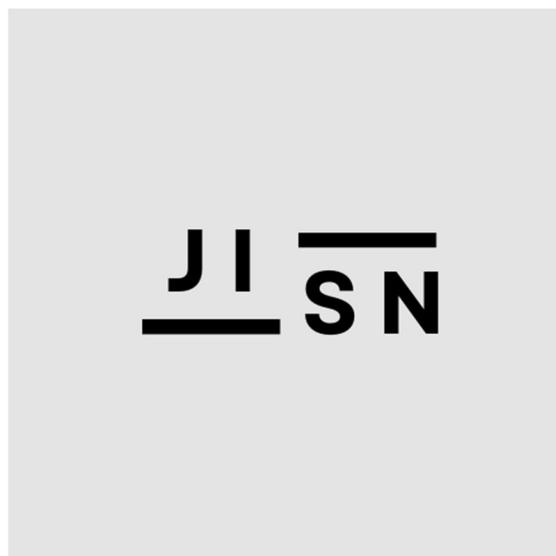
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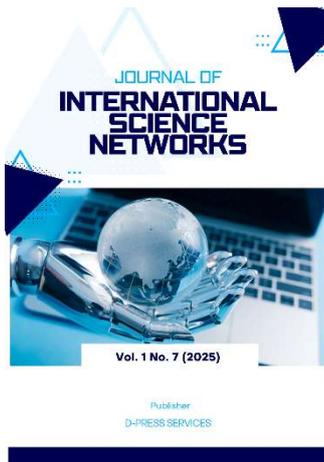
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## BASIC RULES FOR ACCOUNTING FOR TANGIBLE AND INTANGIBLE ASSETS IN NATIONAL ACCOUNTING STANDARDS

*Rakhmanova Shakhnoza Sherkulovna*

International School of Finance Technology and Science, Teacher of the Department of accounting.  
Independent researcher of Tashkent State Economic University.



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**ANNOTATION:**

This article analyzes the main rules for recognition, measurement, depreciation and presentation of tangible and intangible assets in financial statements in accordance with the National Accounting Standards of the Republic of Uzbekistan. Particular attention is paid to NAS No.5 “Intangible Assets” and NAS No.6 “Property, Plant and Equipment”, as well as their comparison with International Financial Reporting Standards IAS 38 and IAS 16. Based on the analysis of Uzbek and international practices, existing problems in accounting for intangible assets are identified, and practical recommendations are proposed to improve accounting practices in the context of global financial integration.

**KEYWORDS:**

дорожные заторы, инновационные подходы, интеллектуальные транспортные системы, искусственный интеллект, цифровой мониторинг, умный город, управление трафиком.

## Introduction

The accounting system of the Republic of Uzbekistan has been developing in recent years in line with International Financial Reporting Standards (IFRS). In particular, the National Accounting Standards (NAS) on the recognition, measurement and accounting of tangible and intangible assets have been brought closer to international standards. This serves to modernize the accounting policies of enterprises, increase transparency and improve the investment climate.

NAS 5: “Intangible Assets”. According to this standard, an intangible asset is recognized in accounting based on the following four main criteria [1]:

- Identifiable - that is, the asset must be separately identified or separated from other assets;
- Controlled by the enterprise - there must be full ownership or exclusive rights to use this asset;
- Provide future economic benefits - that is, the asset will bring benefits to the entity throughout its useful life;
- Can be reliably measured - it must be possible to determine the initial cost of the asset.

Also, the following basic rules are established in IFRS 5:

- Initial measurement: if the asset is purchased - based on costs; if it is internally developed - only after the technically completed stage (i.e., starting from the “development” phase) is taken into account.

- Subsequent measurement: the choice is optional - depending on the accounting policy, based on the initial cost method or the revaluation method.

- Amortization: each intangible asset has a separate useful life and is amortized on a straight-line or other method based on this period.

- Impairment determination: in the event of a decrease in the potential to generate profits through an annual audit or inventory, losses are recognized.

For example, if software is designed for 5 years, then in accordance with MBHS No. 5, depreciation should be determined for this period. Such assets are maintained in the range of accounts 0400–0490 [2].

MBHS No. 6: “Fixed assets” (tangible assets). Fixed assets are regulated in accounting by MBHS No. 6. According to it, fixed assets are defined as resources in physical form that are used for more than one year and are used in production or service provision [3].

The following rules are considered basic in this standard:

- Recognition criteria: the asset must be useful and its value must be certain;

- Initial valuation: purchase price, installation and commissioning costs are included;

- Depreciation: straight-line, declining balance, production volume methods; at the end of the service life, a “residual value” is determined;

- Revaluation: the asset is revalued at market price, and the

increased value is shown on the balance sheet;

- Maintenance and modernization: are added to the cost of the fixed asset or recognized as a separate expense.

Based on MBHS No. 6, fixed assets are reflected in accounts 0100–0190. For example, 0110 - buildings, 0120 - structures, 0140 - vehicles, etc.

**The practical importance of accounting based on MBHS.** Through accounting based on national standards:

- information about assets is fully reflected in financial statements;

- errors in tax reports are prevented;

- the accuracy of financial indicators increases;

- the necessary level of reliability for audit audits is created;

- the information provided to international investors is universal.

This is especially important for enterprises that are integrated with international standards. For example, the criteria in IAS 5 and 6 are very close to the requirements of IAS 38 and IAS 16, making it easier for an enterprise to work with international auditors [4].

**Problems and areas for improvement.** Some aspects of the current IFRS still include the following problems:

- The criteria for assessing internally developed intangible assets are unclear;

- The reliability of the market price in revaluation is not guaranteed;

- The mechanisms for recognizing intellectual property objects (firm value, brand, experience) are complicated;

- There is no special method for assets with an unknown useful life (for example, software algorithms, API technologies).

Therefore, IFRS should be improved - in particular, the approaches based on IAS 38 should be further deepened, and the level of subjective assessment of intangible assets accounting should be reduced.

**Comparison based on International Financial Reporting Standards (IAS 16, IAS 38).**

International Financial Reporting Standards (IFRS) serve as an important methodological basis for ensuring the accuracy and universality of financial reporting. In particular, in the formation of accounting policies for tangible and intangible assets, IAS 16 “Fixed Assets” and IAS 38 “Intangible Assets” are recognized as the main legal and regulatory documents. They specify in detail not only the criteria for recognizing assets, but also the rules for their valuation, depreciation, revaluation and presentation in reports.

In the Republic of Uzbekistan, these international standards have been partially adapted through the National Accounting Standards (NAS). This section systematically analyzes the consistency and differences of these approaches.

**Table 1**

**IAS 16 and NAS 6: Comparison of fixed asset accounting.**

Basic criteria	IAS 16 (IFRS)	IFRS 6 (Uzbekistan)
Recognition criteria	Useful life and estimability	Useful life and estimability
Initial assessment	Cost + direct costs	Cost + direct costs
Reassessment	Optional, based on market price	Optional, if there is a clear market price
Depreciation Methods	Linear, declining balance, production-based	Linear, declining balance, production-based
Personal Use	Shown in a separate account	Usually remains in fixed assets

**A different point:** under IAS 16, the difference resulting from the revaluation is directly recorded in capital accounts (revaluation surplus), while in Uzbekistan it is often limited to inclusion in the balance sheet, the result of the revaluation is not separately reflected as a change in equity [5][6].

**Table 2.**

**IAS 38 and IFRS 5: Comparison of accounting for intangible assets.**

Basic criteria	IAS 38 (IFRS)	IFRS 5 (Uzbekistan)
Recognition criteria	Identification, control, future benefits, valuation	Identification, control, future benefits, valuation
Initial measurement	Cost or development cost	Cost or development cost
Subsequent measurement	Choice: historical cost method or revaluation method	Original cost method (basic recommendation)
Amortization	Based on useful life	Based on useful life
Revaluation differences	Revaluation reserve (in equity)	In most cases, by write-off

Problem: IAS 38 recommends recognizing internally developed assets (e.g. software, brand) only at the development stage. IFRS 5 does not specify this clearly, which leads to subjective approaches [7][8].

Disclosure and transparency in reporting. IAS 16 and IAS 38 require the following information to be disclosed in the reports:

- depreciation policy by type of asset;

- useful life and depreciation method;
- revaluations and their effects;
- differences in nominal value and net book value.

IFRS recommends disclosing this information only in certain cases, which reduces the relative level of transparency.

Proposals for international integration. The following will serve to further align IFRS with international standards:

1. Integration of revaluation results into equity (based on IAS 16);
2. Separate consideration of the development stage for internally developed intangible assets (brand, know-how);
3. Strengthening reporting transparency: providing detailed information on the condition of assets, depreciation policy and doubtful assets;
4. Introducing international verification methods: using the Big-4 companies' methodology or IASB recommendations in valuation.

**Practical examples and analysis (from Uzbek and foreign experience).** Despite the thorough theoretical study of tangible and intangible assets, their reflection in accounting and their appearance in the audit are based on different approaches in practice. In particular, the issue of recognition, valuation and disclosure of intangible assets in financial statements remains a pressing problem in Uzbek practice. In international experience, these assets constitute the main part of the company's value.

Uzbek practice: analysis and examples. According to the State Tax Committee of the Republic of Uzbekistan and the Accounts Chamber, most domestic enterprises record intangible assets only as software or licenses. Therefore, intangible assets such as intellectual property, brand value, experience and know-how are often left out of the account [9].

For example, “Techno UZ” LLC recorded the CRM software product developed in 2022 at a value of 0, since the stage of development of internally developed assets was not clearly documented in IAS 5. This violated the asset recognition criterion [10].

Also, “Mega Plast” JSC registered a 3-year design right for its design model, but did not include it in the balance sheet - in the audit, this activity was recognized as a hidden asset, reducing the fair value in the financial statements [11].

Key issues:

- The mechanism for documenting and proving intangible assets is weak;
- There is no single method for assets with an indefinite amortization period (e.g., algorithms, audio brands);
- Internally developed assets are often written off as expenses, which incorrectly reflects the book value.

**Examples from international practice.** Google (Alphabet Inc.).

In its 2022 annual report, Alphabet Inc. (Google) reported that 73% of total assets were intangible assets, including:

Goodwill: \$21.8 billion;

Intellectual property: \$13.2 billion;

Brands and technology patents: \$7.9 billion [12].

Google accounts for US GAAP, not GBAS, but there are similarities with IAS 38. Each asset is valued based on the recognition criteria, and their useful lives and depreciation policies are disclosed in the annual report.

Coca-Cola Company. Coca-Cola's 2021 report lists "Brand Value" as a separate asset — estimated at \$27.5 billion. This value is based on trademarks, recipe secrets, and design and engineering rights registered in 132 countries. The company does not amortize such assets, but rather holds them as "indefinite-life assets" [13].

Samsung Electronics. Samsung Corporation invests around \$15 billion in R&D each year, which it records as "intangible assets." Internally developed patents and technologies are recognized as the company's "Innovation Capital" [14].

### **Conclusions and suggestions**

Based on the analysis conducted in this article, the economic essence, legal regulation and accounting practice of tangible and intangible assets were studied using a comprehensive approach. The theoretical and methodological foundations of accounting for these assets were identified, existing gaps were revealed. At the same time, the differences between international standards and national approaches were shown, and promising suggestions were put forward. From the above comparative analysis, we

can conclude that, although the standards of IFRS 5 and 6 are consistent with international standards in terms of basic principles, there are significant differences in the practice of application, revaluation and transparency policies. The introduction of international experience into the accounting system of Uzbekistan will increase not only the reliability of accounting, but also the transparency of financial statements for foreign investors. Tangible and intangible assets have formed one of the main economic resources in the activities of modern business entities. The analysis of their theoretical concept, legal and regulatory framework and practical accounting shows that these assets are factors that determine not only financial indicators, but also the strategic advantage of an economic entity. Although the existing theoretical and regulatory framework for accounting for intangible assets in Uzbek practice is sufficiently developed, there are systemic problems in practical application.

International companies, recognizing these assets as strategic resources, clearly reflect them in their financial statements. We can make the following suggestions for domestic economic entities:

- A clear methodology of the MBHS 5 standard,
- A methodology for assessing intellectual property,
- A soft approach in the tax code,

➤ A methodology harmonized with auditing standards is necessary.

On this basis, there is an opportunity to bring the practice of accounting for intangible assets in Uzbekistan to an international level.

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