

Improvement Of Investment Accounting And Audit In Commercial Banks

Khamraeva Madiya Bakhranovna

Listener of Banking and Finance Academy, Tashkent, Uzbekistan

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.*

Keywords: investment, accounting, audit, portfolio, securities, innovation, assets, loans.

Introduction

Active participation of commercial banks in investment processes plays a crucial role in the modernization of the economy and development of the country's economic potential.

Increasing the banks' capital through the attraction of free funds of the population, business companies and other investors, including foreign investors to the capital of commercial banks, the issuance of bank shares and their active placement in the stock market, the creation of new modern production structures of commercial banks will guarantee the increase of their output, participation in their investment processes and decrease of unemployment.

Banking organizations are engaged in lending operations to a considerable number of clients. Undoubtedly, under these circumstances, not all clients are financially homogenous, and repayment of loans in time is a problem.

In the conditions of modernization and stabilization of the economy, the development of commercial banks will be achieved through the active expansion of its investment activities. Investment introduces modern technologies, resource-saving technologies, and creates a manufacturing complex to produce new types of products. Efficient investment in fixed assets of commercial banks can be made by accurate and complete information on the amount of expenditures, trends in the use of investment resources and timely creation of investment facilities.

Main part

The law recognizes investments as material and non-material assets, including the rights to intellectual property, as well as reinvestments that are invested by the investor on the basis of risks to objects of social, entrepreneurial, scientific and other activities with a view to profit [1].

Professor A. Vakhobov justified the proposal of commercial banks to increase their credit investments by strengthening the resource base, including the provision of investment loans [2].

The concept of investment differs across business in accounting, auditing, and other areas.

Firstly, investments are perceived as an investment process (investment operations).

Second, it refers to the sources in which the investments are made or the objects of investment forms.

Thirdly, investment refers to the purpose (investment activity) of an economic entity [3].

Financial records include the commercial operations of commercial banks in the past. This allows this information to be used to make investment decisions.

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

Investment accounting in commercial banks has been 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 Audit Activity", "On Accounting" and other legislative acts in order to comply with the requirements set by the Central Bank.

The Law requires that the Bank's Board of Audit assess the performance of the audit service based on the quality of its assets, loan and investment portfolios and other performance indicators [4].

Investment portfolio management includes:

- portfolio planning;
- Analysis of the contents of the portfolio and its regulation;
- adherence to the level of liquidity required for forming and maintaining the portfolio;
- reducing costs of portfolio management, etc.

The transformation of commercial banks into large investment institutions plays an important role in achieving economic stability.

The main purpose of commercial banks' investment activity is to ensure their profitability and liquidity. Investment policy of commercial banks in developed countries is one of the main activities of the bank and plays a key role in ensuring the liquidity of banks.

In particular, JSCB (CBA, customs brokers association) Agrobank established partnerships with 6 international financial institutions in 2019 and signed credit lines for a total of \$ 348.3 million [5].

It is worth noting that US \$ 95.4 million was disbursed in 2019 through agreements signed with the largest European banks, Commerzbank AG, Landesbank Baden-Wuerttemberg, AKA Bank, Credit Cuisse, Eximbank Hungary, Islamic Corporation for Private Sector Development, and China Exim Bank to finance over 40 investment projects of the Bank's clients [5].

Agrobank's investment portfolio in 2019 amounted to 270.6 billion soums or 1.5% of the bank's assets, which increased by 114.8 billion soums or 173.6% compared to the beginning of the year, and revenues from securities transactions increased by 16.5 billion sums (Table 1).

Table 1. Share of securities in the investment portfolio of ATB Agrobank on January 1, 2020, in blns soums [5]

#	Name of securities	Investment amount for 01.01.2020	Share in the portfolio	Profit for 01.01.2020	The percentage of earned income, in percent
1	Government medium-term bonds	96.0	35.4	9.7	58.4
2	Corporate Shares	170.1	63.0	6.3	38.3
3	Deposit certificates	4.5	1.6	0.5	3.3
	Total	270.6	100.0	16.5	100.0

The Bank aims to modernize, technically and technologically upgrade our economy, increase its competitiveness, increase export potential, create new productions based on innovative and energy-saving technologies, develop new types of goods that are in demand in the world market, thereby providing financial and economic stability of the country.

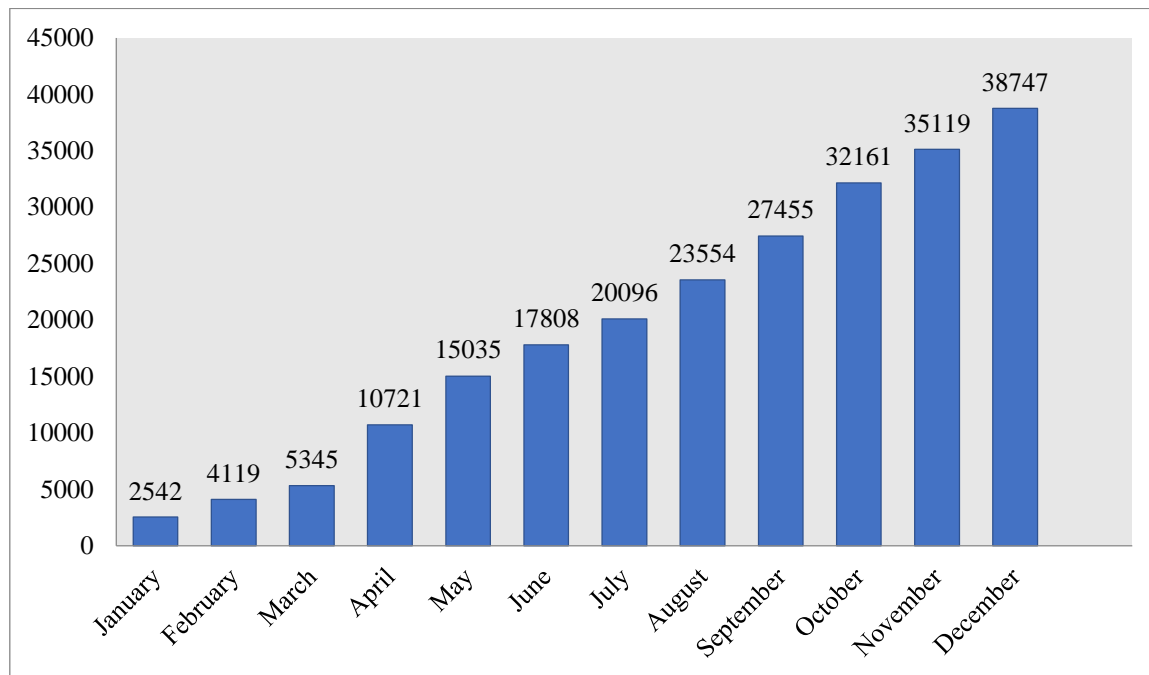


Figure 1. The investment policy pursued by the system is yielding results

The purpose of carrying out investment audit of commercial banks should include:

1. Ensuring that the investment activity of the Bank is carried out in accordance with the requirements of the law and regulations;
2. Determination of income (expenses) from investment activity reflected in the income (expenses) account in a timely manner;

3. Confirmation of the investment account balance.

The sources of verification are as follows:

- balance;
- extract 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 to make the necessary recommendations. The Bank's equity capital is also assessed and paid to shareholders as dividends.

In addition, when examining this section, the following shall be considered:

- Research and respond to investment inquiries;
- Timely preparation and submission of investment portfolio reports;
- Completeness of documents in the investment portfolio;
- status of contracts concluded and degree of legal expertise;
- provision of reserves for expected losses from investment activities, etc.

Investment activities of banks are activities related to the acquisition of financial assets by the bank as an investor, placement of funds for the creation and organization of real assets [6]. Banks' investment activity differs from the activities of other investors by investing their funds. Therefore, the bank appears on the market as an investor on the one hand, and on the other, it is in debt. This situation and important liquidity issue for banks, which requires balanced management of assets and liabilities by maturity, volume and interest rates. When it comes to sustainable growth rates in Uzbekistan, the reason and the reason for this is, first and foremost, the growing investment in our economy. And the reason for this is, first and foremost, the growing investment in our economy.

Table 2. *Main indicators of commercial banks in million soums [7].*

Name of the indicator	01.01.2019	01.01.2020	Nominal growth in percent
Total Bank assets	214 420	272 727	27.2%
Total credit investments	133 751	211 581	58.2%
Total attracted deposits	70 001	91 009	30.0%
Total capital	26 679	51 031	91.3%

As a result, the country has an active investment policy and is implementing consistent measures to modernize and upgrade the economy. Agrobank, being an active participant in this process, also pays special attention to financing investment projects.

We can see that commercial banks have stable indicators (Table 2). Growth rates are also observed in JSCB Agrobank (Figure 2). Agrobank assets and loans are on the increase.

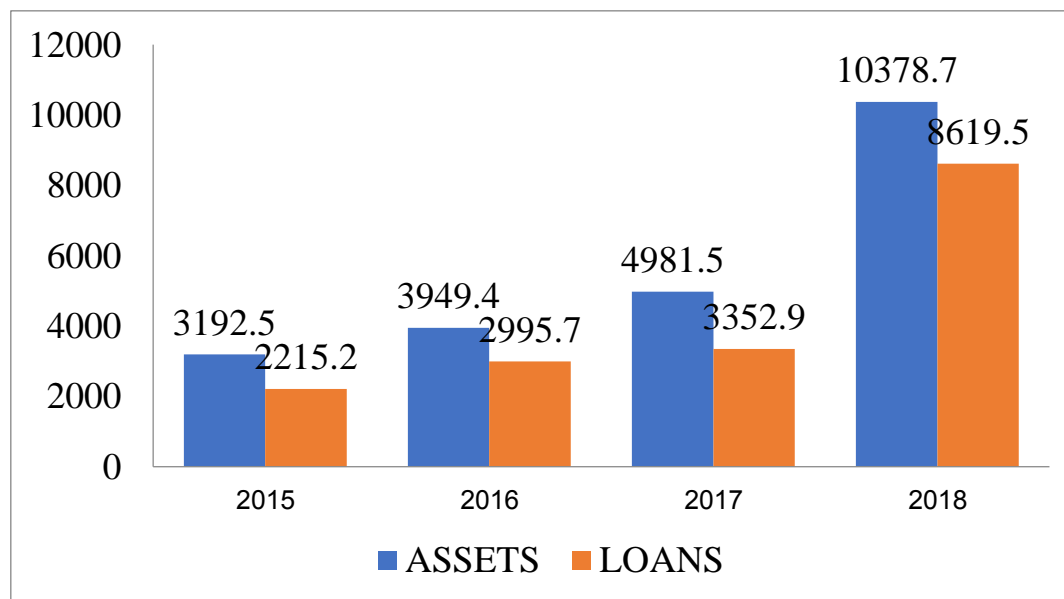


Figure 2. *Information on assets and loans of JSCB Agrobank in million soums [8].*

The main source of financing of investment activity of commercial banks in developed countries is fixed and saving deposits, attracted from clients.

This is because, firstly, capital is a relatively expensive form of financing commercial banks; secondly, in the essence of the activities of commercial banks, commercial organizations are engaged in attracting temporary free funds of the population and enterprises to deposit accounts and placing them in the form of loans and investments; Thirdly, interbank lending is a relatively expensive financial resource, so using it to finance active operations will result in an increase in interest rates for commercial banks; Fourth, commercial banks are not entitled to use transactional deposits directly, that is, without concluding a term deposit agreement [9]. Long-term loans make up 76.8% of the banks' loan portfolio [7]. First of all, this indicates the growing development of commercial banks' lending activity; secondly, indicates the active involvement of banks in the financing of investment projects; Thirdly, it is indicative of the growing demand 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, the mandatory rates for deposits, the interest rate on long-term loans and the inflation rate.

Conclusion

Banks should improve the quality of investment projects expertise and open credit lines for real projects. However, there are also unjustified investment projects due to the fact that they are not required for their products, are not exported or imported in small quantities, the enterprises do not work at the project capacity and they are not adequately supplied with raw materials or their activities depend on foreign raw materials. As a result, loans and interest on loans to finance an investment project are not repaid in time. If these loans were obtained in foreign currency, businesses would find it difficult to repay as a result of exchange rates. Therefore, it is advisable for banks to improve the quality of examination of investment projects and to involve international experts in the examination of large and complex projects. Particularly, it is recommended that these foreign banks should be involved in the examination of projects financed by foreign credit lines.

In the process of investment in commercial banks it is advisable to implement the following measures:

- use of information technologies and automated data analysis in commercial activity of commercial bank;
- it is necessary to designate responsible employees of documentary works for accounting and audit in the bank;
- to propose new types of investment projects to increase profitability of the bank;
- it is necessary to designate responsible employees of documentary works for accounting and audit in the bank;
- it is necessary to carry out monitoring and control over financial state of clients receiving investment projects;
- it is necessary to improve the practice of lending to commercial banks financially stable enterprises.

References

1. Law of the Republic of Uzbekistan "On Investments and Investment Activities". Adopted on December 25, 2019. <https://www.lex.uz/docs/4664142>. Date of application: 01.02.2021.
2. Vakhobov A. V. The role of capitalization in improving the liquidity and solvency of commercial banks of the Republic of Uzbekistan. // Proceedings of the Republican Scientific-Practical Conference on Improvement of Banking System and Increasing Investment Activity of Commercial Banks. - Tashkent: Finance, 2009. - pp. 34-35
3. Suvorova, S. P. Integrated Standardization Auditors P. Suvorova // Auditors view. –2014. No.3 pp. 10-13.
4. Provision on requirements of the Central Bank to internal audit of commercial banks. Approved by the Board of the Central Bank of the Republic of Uzbekistan dated March 13, 2004 No. 6/12 <https://lex.uz/docs/866557>. Date of application: 01.02.2021 y.
5. Data of the financial report of Agrobank of the Republic of Uzbekistan www.agrobank.uz
6. Dodiev F.O. Ways of development of investment activity of commercial banks. // Economics and Finance. 2014, 3. p. 23.
7. Information of the Central Bank of the Republic of Uzbekistan <http://cbu.uz/eng/statistics/bankstats/2020/01/190891/>
Appeal date: 01.02.2021.
8. ATB Agrobank report details https://agrobank.uz/ru/page/fin_report. Appeal date: 01.02.2021
9. Money, Credit, Bank. / Pod red. prof. O.I. Lavrushina. - M. KnoRus, 2009. P. 155.