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ACCOUNTING AND AUDIT OF INTANGIBLE ASSETS (ON THE EXAMPLE OF JSC "UZBEKTELECOM")

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Abstract: The article examines the theoretical and applied aspects of accounting and auditing of intangible assets within the context of the digital transformation of the economy of the Republic of Uzbekistan. The study was conducted using empirical data from the country's largest telecommunications operator, JSC "Uzbektelecom". Based on a comparative analysis of national legislation provisions and the requirements of International Financial Reporting Standard IAS 38 "Intangible Assets", the key criteria for the recognition, valuation, and amortization of intellectual property objects are determined. The main financial and economic performance indicators of the company for the period 2021–2023 are analyzed, revealing the dynamics and structure of assets, and defining the strategic role of intangible assets in ensuring the competitiveness of the telecommunications business. Recommendations are proposed to improve internal audit procedures and corporate accounting policies regarding risk assessment for the impairment of digital platforms and software suites.

Keywords: Intangible assets, accounting, audit, IAS 38, telecommunications, JSC "Uzbektelecom", digital economy, amortization, financial statements.

Introduction

Under the conditions of large-scale digital transformation in the economy of the Republic of Uzbekistan, the rapid development of the telecommunications sector has become a fundamental driver for building a modern, innovative infrastructure for the state. Modern communication operators function in a highly competitive environment that demands continuous technological updates and the expansion of the spectrum of provided digital services. Consequently, within the capital structure of companies in this sector, the role of intangible resources is increasing: licenses, software, databases, rights to use the radio frequency spectrum, trademarks, and complex IT platforms.

The Head of State has repeatedly emphasized the need for accelerated digitalization of real sector industries, the wide implementation of information and communication technologies, and a consistent increase in the investment attractiveness of leading enterprises of strategic importance [1]. The realization of these tasks directly depends on the transparency of financial information and the reliability of accounting practices at major enterprises of strategic value.

Intangible assets (IA) serve as an important factor in securing long-term competitive advantages, forming the core of technological infrastructure. The absence of a physical, material form combined with high costs and the capacity to generate future economic benefits complicates the processes of their identification, initial and subsequent valuation, as well as control within auditing procedures.

The legal regulation of the accounting process in the republic relies on the Law "On Accounting" [2] and National Accounting Standards (NAS). At the same time, the strategic course toward integration into global financial markets necessitates the transition of major joint-stock companies to International Financial Reporting Standards (IFRS), among which the key regulation for the objects under study is IAS 38 "Intangible Assets" [3].

The practical aspect of this study focuses on the activities of Joint-Stock Company "Uzbektelecom" — the flagship of the telecommunications market in Uzbekistan, providing fixed and mobile communication services, internet access, and cloud services. The significant volume of license agreements and software suites used determines the need to build a precise system of accounting and auditing for IA to increase the efficiency of internal resource management and maximize the company's capitalization.

Methodology

The methodological foundation of this research comprises the fundamental provisions of modern accounting and auditing theory, legislative and regulatory acts of the Republic of Uzbekistan, international standards (IAS 38 "Intangible Assets", IAS 36 "Impairment of Assets"), as well as specific scientific works by domestic and foreign authors.

In the process of this work, general scientific and special methods were applied:

- **Analysis and synthesis** — to study theoretical concepts regarding the definition of IA and the regulatory framework;
- **Comparative analysis** — used when comparing the requirements of national accounting standards and IFRS;
- **Vertical and horizontal financial analysis** — to evaluate the balance sheet structure and revenue dynamics of JSC "Uzbektelecom";
- **Mathematical modeling** — used during the calculation of amortization indicators and financial efficiency ratios.

The official financial statements of JSC "Uzbektelecom", statistical materials, and internal regulations of the enterprise served as the information base.

Results

Within the framework of investigating the theoretical foundations, it has been established that from an accounting perspective, IA represent identifiable non-monetary assets that lack physical substance, are controlled by the organization, and are used for the production of services or administrative needs [4]. International standard IAS 38 strictly links the recognition of an object to the ability to reliably determine its cost and a high probability of an inflow of economic benefits [5]. The existence of formalized exclusive rights is confirmed by relevant legal documentation in accordance with national legislation [6].

In economic literature, three basic approaches to interpreting IA have emerged:

1. **Legal approach** (emphasis on property titles and exclusive rights) [7];
2. **Economic approach** (assessing the ability to generate excess income) [8];
3. **Accounting approach** (compliance with formal criteria for balance sheet recognition).

To systematize the accounting process of a telecommunications company, the author structured the classification of IA, presented in Table 1.

Classification of Intangible Assets in the Telecommunications Sector [12]

№	Classification Criterion	Types of Intangible Assets	Examples for JSC "Uzbektelecom"
1	By Source of Origin	Acquired; internally generated within the organization	License for communication services; proprietary software development

№	Classification Criterion	Types of Intangible Assets	Examples for JSC "Uzbektelecom"
2	By Legal Nature	Objects of intellectual property; property rights	Trademark; patents; right to use radio frequencies
3	By Functional Purpose	Production-related; administrative	Billing system; CRM platform
4	By Useful Life	With a finite useful life; with an indefinite useful life	License with a 10-year validity period; company brand
5	By Degree of Operational Participation	Directly participating in service provision; infrastructure-supporting	Software suites for communication; subscriber databases

The procedure for asset recognition is closely linked to the formation of its initial cost, the algorithm of which varies depending on the acquisition channel of the asset (Table 2).

Procedure for Initial Cost Formation of Intangible Assets [13]

Method of Acquisition	Composition of the Initial Cost
Acquisition for a Fee	Purchase price + registration fees + implementation and configuration costs
Internal Generation within the Organization	Actual direct costs incurred during the development stage
Gratuitous Acquisition	Fair value on the date of recognition

A particular complexity in telecommunications involves differentiating between research costs and development costs [11]. In accordance with IAS 38, research expenditures are always recognized as an expense of the period, whereas development expenditures are capitalized under the condition of proven technical feasibility and commercial viability of the product.

Amortization for assets with a finite useful life (UL) in JSC "Uzbektelecom" is predominantly carried out using the straight-line method based on the formula:

$$A = \frac{IC}{UL}$$

where A is the annual amortization charge, IC is the initial cost, and UL is the useful life in years. Assets with an indefinite UL (for example, goodwill or perpetual trademarks) are not amortized, but require annual testing for impairment according to IAS 36 [14], [15].

A comparative analysis of national standards and IAS 38 allowed for identifying the degree of their harmonization (Table 3).

Comparative Analysis of National Standards and IAS 38 Standard [20]

Criterion	National Standards	IAS 38
Recognition	Under compliance with established criteria	Identical criteria for control and benefits
Research and Development	Regulated by general cost accounting norms	Clear separation of stages with capitalization of the development stage
Revaluation	Limited application in accounting	Possible exclusively if an active market exists
Disclosure of Information	Compulsory in reporting forms	Extended disclosure of qualitative and quantitative characteristics

The application of IFRS in international practice is primarily oriented toward the prevalence of economic substance over the legal form of transactions [16]. However, the traditional accounting model often faces the problem of incompletely reflecting hidden intellectual drivers of growth within the conditions of the digital economy [21].

To study the applied aspects of the accounting organization, an analysis of the financial and economic condition of JSC "Uzbektelecom" was carried out. The organizational structure of the company has a distinct centralized character (Figure 1).

[Supervisory Board]
|
[Management Board]
|

| |
[Functional Departments] [Regional Branches]

Figure 1 – Organizational Structure of JSC "Uzbektelecom" [22]

The dynamics of the main economic performance indicators of the company over the three-year period are summarized in Table 4.

Key Economic Indicators of JSC "Uzbektelecom" for 2021–2023 [23]

Indicator	2021	2022	2023
Revenue, trillion UZS	5.40	6.36	7.85
Gross profit, trillion UZS	2.44	2.52	2.91
Total assets, trillion UZS	8.43	10.40	11.97
Net profit, billion UZS	69.00	498.00	204.00 (for H1 2024)
Share of IA in assets (approx.)	~3%	~3%	~3%

Analysis and Discussion

Based on the provided empirical data, the growth rate of the enterprise's revenue was calculated. Revenue growth in 2023 compared to the base year 2021 amounted to:

$$\text{Growth Rate} = \frac{7.85 - 5.40}{5.40} \times 100\% \approx 45.37\%$$

This trend reflects a stable expansion of the subscriber base and an increase in the volume of digital services sold. Parallel to this, a growth in total company assets by 42% (from 8.43 to 11.97 trillion UZS) is observed, which confirms the large-scale nature of investment programs for infrastructure modernization.

A vertical analysis of the balance sheet structure for 2023 indicates that the exact proportion of IA was:

$$\text{Share of IA} = \frac{227 \text{ billion UZS}}{11970 \text{ billion UZS}} \times 100\% \approx 1.9\%$$

Despite the low quantitative value in comparison with capital-intensive fixed assets (communication lines, switching stations), the qualitative value of IA is crucial. Licenses and billing systems form the baseline conditions for conducting business operations.

The graphic representation of revenue dynamics (Figure 2) clearly illustrates a steady upward trend in company income, supported in part by the operation of modern intangible assets.

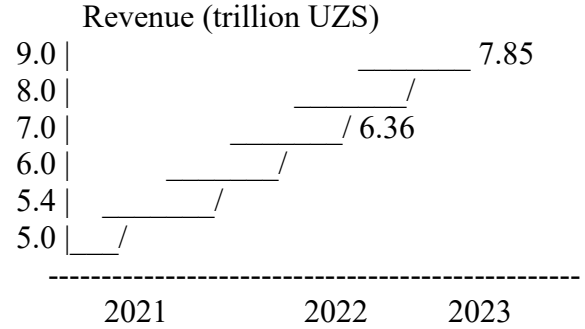


Figure 2 – Revenue Dynamics of JSC "Uzbektelecom" for 2021–2023 [24]

An evaluation of property utilization efficiency at JSC "Uzbektelecom" can be supplemented by calculating the return on assets ratio (ROA):

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Fluctuations in net profit within the studied period are conditioned by a high share of costs for servicing attracted loans for technological upgrades, which highlights the problem of optimizing the amortization policy for high-cost software.

During the audit of IA in JSC "Uzbektelecom", the key risk areas include:

- Verification of the validity of useful lives established for IT products under conditions of rapid moral obsolescence;

• Control over the correctness of capitalizing internal costs for developing proprietary digital services;

• Timely reflection of asset impairment during a fall in demand for specific types of communication services.

Conclusion

The conducted study of theoretical provisions and practical accounting documentation at JSC "Uzbektelecom" allows for drawing the following conclusions. In the digital economy, intangible assets transform into a key value driver for high-tech companies. The implementation of IAS 38 requirements provides the necessary transparency of reporting for international investors; however, it requires the application of an advanced mechanism for professional accountant judgment.

To optimize accounting processes and increase the reliability of audit control in JSC "Uzbektelecom", it is recommended to:

1. Improve internal regulations regarding the separation of research and development stages by introducing step-by-step control maps for the IT department.
2. Develop a methodology for annual express-testing of software suites for impairment (), taking into account the emergence of more effective alternatives in the market.
3. Optimize the documentation flow system when registering unique codes and databases created by internal subdivisions of the company.

The realization of these proposals will lower audit risks and ensure a more accurate reflection of the real value of the enterprise's intellectual capital in financial reporting.

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