



IMPROVING THE ACCOUNTING OF REAL ESTATE ASSETS

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Article history:	Abstract:
Received: 8 th August 2025 Accepted: 7 th September 2025	The article examines issues related to the accounting of real estate assets. It highlights the use of International Financial Reporting Standards (IFRS) in organizing accounting processes for real estate.
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INTRODUCTION.

In Uzbekistan, the legal framework for real estate assets is established by the Tax Code of the Republic of Uzbekistan and the Law of the Republic of Uzbekistan No. ORQ-803 dated March 1, 2022, "*On State Registration of Rights to Real Estate*." Real estate objects are recognized as accounting assets. The valuation of real estate, the organization of its accounting, and the implementation of International Financial Reporting Standards (IFRS) in practice highlight the importance of improving the accounting system for real estate assets.

However, several challenges remain relevant, including the absence of a precise methodology for calculating cadastral value that is close to market valuation, the incomplete formation of the list of taxable real estate assets, and the insufficient practical application of IFRS in maintaining financial records for real estate.

LITERATURE REVIEW.

In order to consider real estate as an object of accounting, it is first necessary to clearly define its composition. The analysis of relevant legal documents and academic literature shows that there are differing opinions on the concept, classification, and accounting treatment of real estate assets. Below, we review several such viewpoints.

According to the National Accounting Standard of the Republic of Uzbekistan (NAS No. 5) "*Property, Plant and Equipment*," reapproved by Order No. 133 of the Minister of Economy and Finance of the Republic of Uzbekistan dated June 14, 2024, property, plant and equipment (PPE) are defined as tangible assets used in an entity's business activities for a long-term period (more than one year) in the production of goods, performance of work, or provision of services, as well as in administrative or socio-cultural processes, and which may also be leased to other parties [1].

In the International Accounting Standard (IAS 16) "*Property, Plant and Equipment*" (2018), PPE is described as tangible assets held by an entity for use in

the production or supply of goods or services, for rental to others, or for administrative purposes, and which are expected to be used during more than one reporting period. The cost of an item of PPE is recognized as an asset only if the following conditions are met:

- a) it is probable that future economic benefits associated with the asset will flow to the entity; and
- b) the cost of the asset can be measured reliably [IAS 16, §2].

Article 1 of the Law of the Republic of Uzbekistan No. ORQ-803 (2022), "*On State Registration of Rights to Real Estate*," identifies the following categories of real estate:

- land plots;
- buildings and structures, including unfinished construction projects;
- perennial plantations;
- enterprises as a property complex [3].

Article 411 of the Tax Code of the Republic of Uzbekistan (2025) provides that the following are considered real estate objects:

1. buildings and structures registered by authorized state bodies responsible for state registration of rights to real estate;
2. unfinished construction projects, including:
 - facilities not completed within the normative period specified in project documentation;
3. – facilities that remain unfinished within twenty-four months from the date of official construction authorization, if no normative deadline was specified;
4. railways, main pipelines, communication and power transmission lines, as well as structures that constitute their integral technological components;
5. residential real estate objects recorded on the balance sheet of construction organizations or builders, six months after the asset has been put into operation [4].

According to A. Nazarov (2022):

"Real estate — as property owned or controlled by an economic entity, firmly attached to land and legally protected, which, without impairing its functional



purpose and value, cannot be relocated to another place, and is used over the long term in the production and delivery of goods, performance of works or provision of services, as well as for leasing, rental, or administrative purposes" — this improved definition fully reflects the economic essence of the concept of "real estate" [Nazarov, 5].

E.S. Druzhilovskaya emphasizes that the concepts of "fair value" and "market value" should not be interpreted as synonyms, noting that IFRS 13 "Fair Value Measurement" provides clear conceptual distinctions between them [Druzhilovskaya, 6].

O.V. Likhomanov, N.E. Kukanova, and M.S. Kukanova provide a comparative overview of the revaluation practices of real estate in international experience:

In Japan, real estate is revalued every three years;

In Spain, cadastral values are reassessed every eight years;

In France, cadastral values remain unchanged (not revised in the last 50 years);

In the United States, real estate is revalued at market value for taxation purposes;

In the Russian Federation, taxation is based on cadastral valuation [7].

S.N. Tashnazarov defines real estate as follows: "Real estate under the possession of the owner (or a financial leaseholder) refers to assets intended for use in production, sale of goods, provision of services, or for administrative purposes" [8].

Some economists expand the definition of real estate to include investment property. According to Yu.Sh. Rakhmanova (2023), real estate classified as investment property must, first, not be used in the production or supply of goods or services, nor for administrative purposes, and second, not be intended for sale in the ordinary course of business. She identifies the following as investment property:

- land held for long-term capital appreciation rather than for sale in the near term;
- land with unspecified future use, which, if not utilized in operations or intended for short-term sale, is treated as held for capital appreciation;
- a building owned (or controlled through a right-of-use asset) and leased out under an operating lease;
- a currently vacant building intended for leasing under an operating lease;
- real estate under construction or reconstruction intended for future use as investment property [9].

METHODOLOGY.

This article provides a scientific analysis of real estate as an object of accounting, focusing on issues related to determining its value and improving its accounting in accordance with International Financial Reporting Standards (IFRS). Definitions of real estate proposed by economists, as well as relevant legal and regulatory provisions, are examined from an academic perspective.

In conducting this research, the methods of induction, deduction, statistical observation, statistical analysis, and comparative analysis were applied.

ANALYSIS AND RESULTS.

As of January 1, 2024, a total of 8,184,005 real estate properties were registered as owned by individuals and legal entities in the Republic of Uzbekistan. Of these:

- 6,244,155 are individual residential properties;
- 1,492,818 are apartments in multi-storey buildings;
- 601,478 are non-residential properties.

According to official data, the number of real estate properties increased by 154,446 units compared to the same period of 2023 (2024). Correct determination of the initial (historical) cost of such a large volume of real estate is of critical importance for both accounting and taxation purposes.

Once investment property is recognized, it may subsequently be measured either at fair value or at initial (historical) cost. The choice between the fair value model and the cost model is made by the entity in its accounting policy. Whichever model is selected must be applied consistently to all investment properties of the entity.

An entity that selects the cost model must measure its investment property in accordance with the following principles:

- if it meets the criteria for classification as an asset held for sale, measurement is carried out in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*";
- if the asset is held by a lessee as a right-of-use asset and is not intended for sale, measurement is carried out in accordance with IFRS 16 "*Leases*";
- in all other cases, measurement under the cost model is performed in accordance with IAS 16 "*Property, Plant and Equipment*".

CONCLUSION AND RECOMMENDATIONS.

To ensure the correct identification of property tax objects, it is recommended that the composition of real estate be clearly defined in the relevant regulatory



documents. In particular, including a detailed description of real estate categories directly in the Tax Code of the Republic of Uzbekistan would be advisable.

It is further proposed that Form No. 1 "*Balance Sheet*" present the classification of property, plant, and equipment in separate line items—similar to their presentation in the "*Statement of Financial Position*" under IFRS. This would simplify accurate calculation of property tax for accountants and enhance tax control mechanisms for the authorities.

Considering that several IFRS standards are applied in international practice when recognizing real estate as an accounting object—such as IAS 16 "*Property, Plant and Equipment*," IAS 2 "*Inventories*," and IAS 40 "*Investment Property*"—it is recommended that the Ministry of Economy and Finance of the Republic of Uzbekistan and the Tax Committee jointly develop unified guidelines to ensure consistent accounting and taxation of real estate within the country.

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