THE IMPORTANCE OF ACCOUNTING IN BUSINESS AND ITS ROLE IN MANAGEMENT DECISION-MAKING

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Abstract. *This paper examines the economic significance of accounting in business activities, its role in measuring and evaluating financial performance, the importance of financial statements as a source of information, and the use of accounting information in management decision-making. Particular attention is paid to contemporary developments in accounting, including digitalisation, the use of Enterprise Resource Planning (ERP) systems, Big Data, Artificial Intelligence (AI), digital financial reporting, and the convergence of national financial reporting practices with International Financial Reporting Standards (IFRS). The paper also considers recent reforms in Uzbekistan aimed at improving the financial accounting and reporting system in accordance with international requirements and standards. The study emphasises that, under the conditions of the digital economy, accounting is increasingly transforming from a traditional record-keeping function into a strategic information system that supports financial analysis, forecasting, risk management, and management decision-making.*

Keywords: *accounting, business, financial reporting, management decision-making, financial performance, profitability, digitalisation, ERP, Big Data, artificial intelligence, IFRS, financial analysis, digital financial reporting.*

In a market economy, the sustainable operation of an enterprise depends not only on generating income but also on the efficient use of available resources, effective cost control, reduction of financial risks, and timely and well-founded management decision-making. Such decisions require reliable, timely, comparable, and analytically useful economic information.

Accounting is one of the principal systems for generating such information about an enterprise's economic activities. It does not merely record and summarise business transactions but also provides management with information about the entity's assets, liabilities, equity, revenues, expenses, profit, and cash flows. Therefore, accounting information serves as an important basis for evaluating the financial position and performance of a business.

The relevance of this issue has increased significantly in the digital economy. Business entities increasingly operate with large volumes of financial and non-financial data. Consequently, modern accountants are expected not only to record and process transactions but also to analyse data, interpret financial indicators, support forecasting, and provide practical recommendations to management.

Accounting functions as an information system that reflects the economic activities of an enterprise. Its major functions include:

- documenting and recording business transactions;
- monitoring changes in assets, liabilities, and equity;
- recognising and recording revenues and expenses;
- determining financial results;
- preparing financial statements;
- providing management with information required for decision-making; and
- analysing the financial position and operational performance of the enterprise.

Accounting information enables management to evaluate the efficiency of resource utilisation, the structure of costs, the cost of products or services, sales volumes, and profitability. Therefore, in modern business, accounting should be viewed not only as a control mechanism but also as a strategic management information system.

Financial performance indicators play an important role in assessing the efficiency of an enterprise. Gross profit, operating profit, profit before tax, and net profit are among the indicators that can be used to evaluate the financial performance of a business. Gross profit can generally be calculated as follows:

Gross Profit = Net Sales Revenue – Cost of Goods Sold

Analysis of this indicator enables management to identify the reasons for increases in product costs, determine opportunities for cost optimisation, and reconsider pricing policies where necessary. Another important indicator is the net profit margin:

Net Profit Margin = Net Profit / Revenue × 100%

Monitoring this indicator over several reporting periods makes it possible to identify trends in the profitability of an enterprise. Comparing current results with previous periods, budgets, or planned indicators can provide additional information for management decision-making.

According to Sangster's *Frank Wood's Business Accounting*, a fundamental purpose of financial accounting is to provide useful information to decision-makers. Business transactions are classified and summarised so that users can assess the financial position and financial performance of an organisation.[1]

One of the most important trends in contemporary accounting is the digitalisation of accounting processes. ERP systems, electronic document management, automated accounting software, Big Data, and analytical platforms provide opportunities to process accounting information more rapidly and efficiently. Digitalisation can contribute to:

1. Faster recording of business transactions;
2. Reduction of repetitive manual operations;
3. Reduction of errors associated with manual data processing;
4. Faster preparation of financial reports;
5. Expanded opportunities for real-time monitoring of financial indicators; and
6. Faster access to analytical information for management.

As a result, the role of the accountant is also changing. A modern accountant is no longer simply a specialist responsible for recording financial information. Increasingly, the accountant acts as a professional who analyses financial data, interprets financial indicators, supports management decisions, and contributes to business planning.

In 2025–2026, the use of Artificial Intelligence in accounting and finance has become an increasingly important area of development. AI technologies can be applied to classify financial information, extract data from documents, automate repetitive operations, analyse financial information, identify unusual transactions, and support financial forecasting.

At the same time, the use of AI requires particular attention to the reliability and confidentiality of accounting information, cybersecurity, data governance, and human oversight. Therefore, AI should not simply be viewed as a replacement for accountants. Rather, it can serve as a technological tool that strengthens their analytical, control, and decision-support functions.

This development also changes the competency requirements for accounting professionals. In addition to knowledge of accounting standards and financial reporting, modern accountants increasingly need digital literacy, data-analysis skills, knowledge of information systems, and an understanding of AI-based technologies.

[1] Sangster, A. *Frank Wood's Business Accounting*. 13th ed. Pearson, 2016.

Another important development in contemporary accounting is the presentation of financial statements in a machine-readable digital format. According to the IFRS Foundation, digital financial reporting enables financial information to be presented in a structured, computer-readable format, such as XBRL (eXtensible Business Reporting Language). Such reporting enables investors and other users to efficiently search, extract, compare, and analyse financial information.[2]

The IFRS digital taxonomies provide defined elements, or tags, that give financial information the structure and classification required to make it computer-readable. This makes digital financial information more accessible for automated analysis and comparison.

Consequently, digital financial reporting is contributing to the transformation of accounting from a traditional reporting function into a broader *digital information ecosystem,* in which accounting data can be integrated with analytical systems, enterprise information systems, and decision-support technologies.

Uzbekistan has also been implementing significant reforms aimed at improving the accounting and financial reporting system in accordance with international requirements. In particular, Presidential Resolution No. PQ-282 of 15 September 2025, entitled *"On Measures to Improve the Financial Accounting System in Accordance with International Requirements and Standards,"* established important directions for further development of the financial reporting system. The reforms are aimed, among other objectives, at improving transparency, comparability, and reliability of financial information and bringing national financial reporting practices closer to international standards.

In accordance with these reforms, the development of a new generation of National Financial Reporting Standards (NFRS/MHMS) has been initiated. According to the Ministry of Economy and Finance, more than 30 national financial reporting standards are planned to be developed during 2026–2027 across eight areas, with the standards being aligned with the approaches of IFRS, IAS, and IFRS for SMEs.

A significant recent development was the registration of **National Financial Reporting Standard No. 1 (NFRS No. 1), "Presentation and Disclosure of Information in Financial Statements,"** on 13 August 2026 under registration number 3923. The standard establishes general requirements for the preparation, presentation, and disclosure of general-purpose financial statements. It is scheduled to enter into force on 1 January 2027.

[2] **IFRS Foundation. Digital Financial Reporting: Facilitating digital comparability and analysis of financial reports. April 2024.**

The introduction of this standard is important for improving the consistency, transparency, comparability, and understandability of financial reporting in Uzbekistan. It also represents an important step towards the further harmonisation of national financial reporting practices with international approaches.

The convergence of national financial reporting practices with international standards has practical implications for businesses. Transparent and comparable financial information is important not only for management but also for investors, creditors, business partners, regulators, and other stakeholders.

At the same time, digitalisation is creating new opportunities for businesses to integrate accounting information with ERP systems and analytical tools. The combination of international reporting standards and digital technologies can improve the speed and quality of financial reporting and support more informed management decisions.

According to the Ministry of Economy and Finance, the reforms undertaken in Uzbekistan also include measures related to the digitalisation of accounting and auditing and the development of digital competencies among accountants and auditors.

The role of accounting in business is expected to become increasingly important in the following areas:

- real-time financial monitoring;
- integration of accounting with ERP systems;
- AI-assisted financial data analysis;
- financial forecasting based on Big Data;
- digital financial reporting;
- convergence of national standards with IFRS;
- automated internal controls;
- early identification of financial risks;
- sustainability and ESG-related reporting; and
- development of accountants' analytical and digital competencies.

The key objective is to move beyond using accounting information merely to describe past events and increasingly use it as a basis for forecasting, planning, risk management, and future-oriented business decision-making.

Accounting is an integral component of modern business activity. It provides reliable information about an enterprise's financial position and performance and creates an important information base for management decision-making.

Under the conditions of the digital economy, the importance of accounting is increasing. The development of ERP systems, Big Data, Artificial Intelligence, digital financial reporting, and automated internal control is changing the traditional role of accountants and creating greater demand for analytical and strategic competencies.

Recent reforms in Uzbekistan aimed at bringing the financial accounting system closer to international requirements, including the introduction of new National Financial Reporting Standards, represent an important stage in the development of the country's financial reporting system.

Therefore, digitalising accounting processes, improving the timeliness and reliability of financial information, applying AI and analytical technologies appropriately, and developing accountants' digital and analytical competencies are important factors in improving business efficiency and the quality of management decision-making.

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