IMPROVING ACCOUNTING FOR REVENUES AND EXPENSES IN JOINT-STOCK COMPANIES

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ABSTRACT

This thesis examines the improvement of revenue and expense accounting in joint-stock companies under the conditions of digital transformation, increased information requirements of investors, and the gradual convergence of national accounting practice with International Financial Reporting Standards (IFRS). The study focuses on the recognition, classification, measurement, analytical recording, and disclosure of operating and other revenues and expenses. Particular attention is given to the need to separate revenue generated from the principal activities of a company from other income, and to distinguish production, selling, administrative, financial, and other expenses in a manner that supports management decision-making. The research proposes an improved accounting model based on analytically expanded sub-accounts, functional classification of expenses, monthly management reporting, and stronger linkage between financial accounting and internal analytical accounting. The proposed approach can improve the transparency of profit formation, facilitate cost control, strengthen comparability of financial information, and increase the usefulness of accounting data for shareholders, managers, creditors, and other stakeholders.

Keywords: *joint-stock company, revenue, expenses, accounting, financial reporting, IFRS, profit, analytical accounting, management accounting, cost control.*

INTRODUCTION

Revenue and expenses are among the most important elements determining the financial result and investment attractiveness of a joint-stock company. For shareholders and other stakeholders, information about the amount, structure, dynamics, and recognition of revenues and expenses is essential for assessing profitability, financial stability, dividend potential, and management efficiency. In practice, however, the accounting information system of many enterprises remains focused primarily on statutory reporting and does not always provide sufficiently detailed information for operational management.

The relevance of improving revenue and expense accounting is strengthened by the development of digital technologies, the increasing complexity of business models, and the growing role of IFRS-based financial reporting. IFRS 15 establishes a principles-based model for recognising revenue from contracts with customers, while IAS 1 requires financial statements to provide relevant information about the entity's financial performance and position. Consequently, the accounting system should not merely record transactions after they occur; it should also provide a structured information base for analysis, planning, budgeting, and control.

The purpose of this study is to develop practical recommendations for improving the accounting of revenues and expenses in joint-stock companies by strengthening analytical detail, clarifying recognition procedures, improving expense classification, and integrating accounting information with management needs.

In accounting theory, revenue represents increases in economic benefits during the reporting period that result in increases in equity, other than those arising from contributions by owners. Expenses, in contrast, represent decreases in economic benefits that result in decreases in equity, other than distributions to owners. This distinction is fundamental because the correct recognition of both elements directly affects the reliability of profit and loss information.

For joint-stock companies, revenue may arise from the sale of goods, provision of services, performance of contracts, licensing, rental activities, interest, dividends, or other transactions depending on the company's business model. A sound accounting system should distinguish revenue from the principal operating activity from other forms of income. Such differentiation is particularly important when analysing the sustainability of profit. Profit generated from recurring operating activities generally has a different economic meaning from profit caused by a one-off disposal of an asset or another non-recurring transaction.

Expense accounting requires an equally detailed approach. Expenses can be classified by economic element, function, responsibility centre, product or service, and relationship with revenue. The economic-element approach is useful for analysing resource consumption, whereas functional classification is more appropriate for determining the cost of sales and evaluating the efficiency of individual business processes. A combination of both approaches creates a more informative accounting system.

The methodological basis of improved accounting should therefore include five principles: completeness, accrual, consistency, analytical detail, and controllability. Completeness means that all economically significant revenues and expenses are reflected in the accounting system. The accrual principle requires transactions to be recognised in the periods to which they relate. Consistency ensures comparability over time. Analytical detail allows management to identify the source and direction of financial results. Controllability connects accounting information with budgets, responsibility centres, and performance indicators.

A major weakness of insufficiently detailed accounting is the aggregation of heterogeneous transactions within the same account. When different types of revenue or expenses are accumulated without adequate analytical codes, management cannot easily determine which products, customers, branches, or activities generate value and which consume resources without an adequate return. This reduces the practical value of accounting information.

Therefore, the improvement of accounting should not be understood merely as changing account numbers. It should be treated as the redesign of information flows: from primary documents to analytical registers, from analytical registers to the general ledger, and from the general ledger to financial and management reports.

One of the key problems in revenue accounting is the insufficient differentiation of revenue streams. In a joint-stock company, management may need to know not only total revenue, but

also revenue by product, service, market, customer group, sales channel, branch, and contract. If the accounting system records all operating revenue in a single aggregated analytical category, it becomes difficult to evaluate the profitability of individual activities.

Another important issue is the timing of revenue recognition. Revenue should be recognised when the underlying performance obligation is satisfied in accordance with the applicable accounting framework. This requires accounting personnel to analyse the substance of contracts rather than relying exclusively on the date of invoicing or cash collection. For long-term contracts, advance payments and staged performance, the distinction between cash flow and accounting revenue becomes especially important.

To address these problems, it is proposed to introduce a multi-level analytical structure for revenue accounts. The first level should identify the economic nature of revenue; the second should identify the business segment or product; the third should identify the contract or customer group; and the fourth should identify the period of recognition. Such coding can be implemented in an ERP or accounting information system without changing the fundamental double-entry principle.

For example, operating revenue can be analytically divided into: revenue from the main activity; revenue from services; revenue from ancillary activities; and other operating income. Within each category, sub-accounts may be established by product or service. The resulting structure would permit monthly comparison of planned and actual revenue and provide a basis for contribution-margin analysis.

An additional improvement is the establishment of a revenue reconciliation procedure. At the end of each month, accounting data should be reconciled with sales registers, contractual records, warehouse or service-delivery records, invoices, and bank information. Differences should be documented and investigated. Such reconciliation is especially useful in companies with a large number of transactions or geographically dispersed branches.

Digitalisation creates an opportunity to automate these controls. A modern accounting system can assign analytical dimensions to each transaction and generate dashboards showing revenue by product, customer, region, and month. This reduces manual processing and improves the speed of management reporting.

The proposed approach also supports shareholder-oriented transparency. When revenue is clearly separated into recurring and non-recurring components, users of financial statements can better assess the quality of earnings. This is particularly important for joint-stock companies because investment decisions depend not only on the absolute amount of profit but also on its stability and source.

Expense accounting in joint-stock companies should provide information not only about the total amount of resources consumed but also about why the resources were consumed and what economic result they generated. For this purpose, it is appropriate to combine economic and functional classifications.

Under the proposed model, expenses may be grouped into four functional blocks: (1) production or service-delivery expenses; (2) selling and distribution expenses; (3)

administrative and management expenses; and (4) financial and other expenses. Within each block, expenses should be further classified according to controllability and responsibility centre. This allows managers to distinguish unavoidable costs from costs that can be reduced through operational decisions.

For production-oriented joint-stock companies, direct material costs, direct labour, and other directly attributable costs should be accumulated by product or production order. Indirect production costs should be allocated using economically justified drivers. For service companies, similar principles can be applied using service orders, projects, contracts, or customer groups as cost objects.

A particularly important recommendation is the introduction of responsibility-centre accounting. Each major expense centre should have a responsible manager and an approved budget. Actual expenses should then be compared with budgeted values, and material deviations should be explained. This converts accounting from a passive recording mechanism into an instrument of managerial control.

The analytical accounting system should also distinguish between fixed and variable expenses where such information is relevant for management. Variable costs generally change in relation to activity volume, while fixed costs remain relatively stable within a relevant range. This distinction supports break-even analysis, pricing decisions, production planning, and assessment of operating leverage.

The proposed expense model can be implemented through analytical codes attached to primary accounting documents. Each transaction would contain information on the expense type, function, cost centre, product or project, and period. The accounting software could then automatically generate both statutory and management reports from the same data set.

Another important area is the treatment of expenses associated with financial activities. Interest expense, transaction costs, foreign exchange effects, and other financing-related items should be separately identifiable because they influence the financial result differently from operating expenses. Such separation improves the analysis of operating profitability and the cost of financing.

Thus, the central principle of expense-accounting improvement is the transition from simple accumulation of expenses to structured information about cost formation. This makes it possible to identify inefficient activities, strengthen budgetary discipline, and improve the reliability of profitability indicators.

Based on the identified problems, an integrated accounting model for joint-stock companies is proposed. Its principal elements are: expanded analytical sub-accounts for revenues and expenses; recognition of revenue according to the economic substance of contracts; functional and responsibility-centre classification of expenses; monthly reconciliation procedures; and automated management reporting.

The first recommendation is to develop an accounting policy section specifically describing the recognition criteria for major revenue streams and the classification principles for expenses. The accounting policy should define the moment of revenue recognition, treatment of advances,

methods of allocating indirect expenses, analytical dimensions, and procedures for correcting errors. Clear documentation reduces inconsistent treatment of similar transactions.

The second recommendation is to introduce a management-oriented analytical coding system. A transaction code may contain five components: revenue/expense category, business segment, product or service, responsibility centre, and reporting period. For example, a cost transaction could be coded as “EXP–PROD–P01–CC03–08/26”, where the code identifies an expense, production activity, product P01, cost centre 03, and August 2026. Such coding is illustrative and can be adapted to the company’s ERP system.

The third recommendation is to prepare a monthly revenue and expense matrix. The matrix should show planned amount, actual amount, variance, variance percentage, and explanatory comment. For revenue, additional indicators may include volume, average selling price, customer group, and sales channel. For expenses, the report may include cost driver, unit cost, and budget utilisation.

The fourth recommendation is to introduce a profit-formation dashboard. The dashboard should show operating revenue, cost of sales, gross profit, selling expenses, administrative expenses, financial expenses, profit before tax, and net profit. It should also provide trend indicators and comparisons with the previous period and budget. Such a dashboard is particularly useful for executive management and audit committees.

The fifth recommendation concerns internal control. Revenue transactions should be controlled through a sequence linking contract approval, delivery or service confirmation, invoicing, revenue recognition, and collection. Expenses should be controlled through budget authorisation, primary documentation, accounting recognition, and payment. Separation of duties should be maintained between initiation, approval, recording, and payment functions.

The proposed model is expected to produce several practical effects. First, it will increase the analytical value of accounting data. Second, it will improve the comparability of revenue and expense information across periods and business segments. Third, it will support faster identification of deviations and inefficient costs. Fourth, it will strengthen the information base for shareholder and management decisions. Finally, it will facilitate the preparation of financial statements in accordance with international reporting principles.

The implementation should be gradual. During the first stage, the company should review its existing chart of accounts and accounting policy. During the second stage, analytical dimensions and responsibility centres should be defined. During the third stage, the ERP system should be configured and employees trained. During the fourth stage, management reports should be tested and adjusted. This phased approach reduces implementation risks and allows the company to evaluate the practical usefulness of each change.

Improving revenue and expense accounting in joint-stock companies is an important condition for increasing the quality of financial information and strengthening the effectiveness of corporate management. The study shows that the principal challenge is not the absence of accounting records, but the insufficient analytical depth of information about the sources of revenue, the structure of expenses, and the factors affecting financial results.

The proposed approach is based on the integration of financial accounting, analytical accounting, management accounting, and internal control. Revenue should be classified according to its economic nature and analytical dimensions, while expenses should be recorded by function, cost object, and responsibility centre. The recognition of revenue should reflect the substance of contractual obligations rather than merely the movement of cash. Expenses should be analysed in connection with the activities and results that generate them.

The practical recommendations can be summarised as follows: first, revise the accounting policy for revenue and expense recognition; second, establish expanded analytical sub-accounts and coding dimensions; third, introduce responsibility-centre accounting and budget-versus-actual analysis; fourth, automate monthly reconciliation of revenue and expenses; fifth, implement management dashboards for profit formation; and sixth, strengthen internal control over the complete transaction cycle.

From the perspective of corporate governance, the proposed improvements increase the usefulness of accounting information for the board of directors, audit committee, executive management, shareholders, creditors, and investors. More transparent information about recurring revenue, operating costs, financing expenses, and profitability makes it easier to assess management performance and the sustainability of financial results.

Further research may focus on quantitative assessment of the proposed model using data from specific Uzbek joint-stock companies, including the development of industry-specific analytical accounts and performance indicators. Another promising direction is the use of artificial intelligence and predictive analytics for forecasting revenue, identifying abnormal expenses, and detecting accounting anomalies.

In conclusion, the modernisation of revenue and expense accounting should be viewed as a strategic improvement of the corporate information system. A properly structured accounting model does not simply satisfy reporting requirements; it creates a reliable information environment for planning, control, investment decisions, and sustainable growth.

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