

## IMPROVING THE SYSTEM OF COST ACCOUNTING AND ITS STRATEGIC ANALYSIS IN BANKS

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Ensuring the competitiveness and financial stability of commercial banks largely depends on the efficient use of their internal resources. In particular, the proper accounting, analysis, and strategic use of cost information are among the essential conditions for effective bank management. The data on costs generated within the framework of accounting serve as a crucial information base for assessing the profitability of banking activities, determining the profitability of specific services, and ensuring the efficient allocation of resources. Therefore, the proper organization of cost accounting and its transformation into a tool for strategic management is considered a pressing issue in modern banking practice.

The complex and multifaceted structure of commercial bank operations requires a specific approach to cost accounting. In banks, costs arise not only from operational activities, but also represent an integral part of service delivery, financial intermediation, and technological processes. Consequently, the accurate classification of costs and their recognition in accordance with applicable accounting standards is an essential requirement for effective bank management.

First and foremost, the costs incurred in commercial banks can be classified into the following groups based on their functional and economic nature:

- **Wages and equivalent payments** – salaries, bonuses, and social contributions paid to bank employees for their labor;
- **Operational expenses** – expenses related to the lease of bank premises, utility payments, postal services, transportation, and business travel;
- **Service-related costs** – payments for independent audit services, consulting, information technology services, and legal support;
- **Technological expenses** – costs associated with the bank's IT infrastructure, software acquisition, and technical maintenance;
- **Marketing and advertising expenses, costs related to financial instruments, provisions for credit risks**, and other miscellaneous expenses.

Such expenses are recorded in accordance with national accounting standards (NAS) and International Financial Reporting Standards (IFRS). In particular, standards such as **IFRS 9**

(Financial Instruments and Provisions), **IFRS 15** (Revenue and Expense Recognition), and **IFRS 16** (Leases) are applied to ensure the accurate reflection of banking expenses. Under national legislation, the **Tax Code of the Republic of Uzbekistan** and the **guidelines issued by the Central Bank** serve as the main legal basis for maintaining cost accounting in banks. In practice, however, a number of issues are observed, including:

- Costs are not sufficiently analyzed and are often presented only for financial reporting purposes;
- Costs are not allocated by activity centers, making it difficult to assess performance by segments;
- Modern cost management systems, such as **Activity-Based Costing (ABC)**, have not been widely implemented in banking practice;
- Real-time monitoring of expenses through digital technologies is not yet fully operational.

These issues result in viewing bank expenses only at the level of traditional accounting indicators, which in turn leads to a lack of comprehensive information when making strategic decisions. Therefore, improving cost accounting not only as a bookkeeping function but also as a managerial tool has become one of the most urgent tasks in modern bank management.

In banking management, cost accounting is not merely a tool for financial control but also serves as a critical source of information for strategic-level analysis and decision-making. In today's environment of increasing competition and rising demands for operational efficiency, the strategic importance of cost data is becoming ever more significant. Below are the main ways in which cost accounting data can be used in strategic bank management.

**Firstly**, profitability analysis by branch makes it possible to determine the financial efficiency of each regional division. Based on accounting data, the revenues, direct and indirect costs related to each branch are calculated, and profitability indicators are derived. This analysis helps bank management identify which branches are operating profitably and which are running at a loss, enabling decisions regarding the reallocation of resources or the restructuring of certain units.

**Secondly**, identifying the ratio of profit to cost in service segments allows the bank to assess the profitability of its various financial products and services. For instance, revenues and expenses related to lending, deposits, plastic card services, and money transfers are analyzed separately. This, in turn, creates a foundation for optimizing the service portfolio, abandoning high-cost and low-profit services, or reorganizing them for greater efficiency.

**Thirdly**, the identification and evaluation of **cost centers** helps strengthen control over expenses within the bank's internal structure, including departments, divisions, and service units. For each center, costs and performance results are compared to determine their efficiency level. This approach serves as an important tool for optimizing resource utilization across the organization.

**Fourthly**, cost accounting data also plays a direct role in the development of **key performance indicators (KPIs)**. Indicators such as the **profit-to-cost ratio**, **cost-to-revenue ratio**, and **cost per service unit** are considered fundamental metrics for strategic management. Based on these indicators, the effectiveness of bank employees, departments, or service types can be assessed, and appropriate incentive schemes or improvement measures can be introduced.

In general, the strategic use of cost accounting data enables banks to enhance competitiveness, increase profitability, and make more efficient use of financial resources. As a result, cost accounting evolves from a conventional bookkeeping function into a vital source of information for making strategic decisions.

**In conclusion**, it should be acknowledged that cost accounting in commercial banks is not only a bookkeeping process that ensures financial discipline, but also occupies a special place as a key source of information within the bank's strategic management system. Proper classification of costs, their recognition in accordance with established standards, and analysis by activity segments, branches, and cost centers provide bank management with the foundation for making well-informed and effective strategic decisions. In particular, cost data plays an invaluable role in evaluating branch profitability, assessing the profitability of services, and developing a KPI system.

However, in practice, several problems persist—such as the insufficient segmentation of costs and the limited use of modern analytical tools—which hinder the full utilization of available information for strategic decision-making. Therefore, improving cost accounting in commercial banks based on strategic management principles, and transforming accounting from a mere reporting tool into a decision-support mechanism, is among the most critical tasks in today's banking environment.

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