

**THE NECESSITY OF IMPROVING THE PRESENTATION OF LEASE
LIABILITY PAYMENTS IN CASH FLOW REPORTING IN
ENTERPRISES OF UZBEKISTAN**

Umarova Shakhnoza Keldiyor qizi

Samarkand Institute of Economics and Service,

PhD student

Abstract. The article examines the necessity of improving the presentation of lease liability payments in the statement of cash flows of enterprises in Uzbekistan. The study analyzes international accounting standards and evaluates their applicability to Uzbek corporate practice.

Keywords: lease accounting, cash flow statement, financing activities, financial transparency, financial reporting, lease liability.

**НЕОБХОДИМОСТЬ УЛУЧШЕНИЯ ПРЕДСТАВЛЕНИЯ ПЛАТЕЖЕЙ
ПО АРЕНДЕ В ОТЧЕТНОСТИ О ДЕНЕЖНЫХ ПОТОКАХ НА
ПРЕДПРИЯТИЯХ УЗБЕКИСТАНА**

Умарова Шахноза Келдиёр кизи

Самаркандский институт экономики и услуг,

Аспирант

Аннотация. В статье рассматривается необходимость улучшения представления платежей по лизинговым обязательствам в отчете о движении денежных средств предприятий Узбекистана. В исследовании анализируются международные стандарты бухгалтерского учета и оценивается их применимость к узбекской корпоративной практике.

Ключевые слова: учет лизинга, отчет о движении денежных средств, финансовая деятельность, финансовая отчетность, лизинговые обязательства.

Annotatsiya. Maqolada O'zbekiston korxonalarining pul oqimlari to'g'risidagi hisobotida lizing majburiyatlari bo'yicha to'lovlarni ko'rsatishni takomillashtirish

zarurati ko'rib chiqiladi. Tadqiqotda xalqaro buxgalteriya tahlil qilinadi va ularning O'zbekiston korporativ amaliyotiga qo'llanilishi baholanadi.

Kalit so'zlar: lizing hisobi, pul mablag'lari harakati to'g'risidagi hisobot, moliyaviy shaffoflik, moliyaviy hisobot, lizing majburiyati.

Introduction.

Leasing has become one of the primary mechanisms for financing fixed assets in modern enterprises. In Uzbekistan, the expansion of leasing operations reflects the need for capital investment without immediate large cash outflows. However, the rapid growth of lease financing has introduced new challenges in financial reporting, particularly in the presentation of lease liability payments in the statement of cash flows. The objective of this study is to justify the necessity of disaggregating lease liability payments in Uzbek enterprises and to develop a methodological framework aligned with international standards.

Literature Review.

The issue of lease accounting and its impact on financial reporting has attracted significant attention in recent academic and professional literature. The introduction of IFRS 16 fundamentally transformed the accounting treatment of leases by requiring recognition of lease liabilities on the balance sheet. Researchers widely agree that this shift enhances financial transparency but also introduces new analytical challenges in cash flow reporting. Similarly, Giner and Pardo (2021) highlight that lease accounting reforms must be accompanied by improved presentation in the statement of cash flows to ensure consistency between balance sheet recognition and cash flow classification[3].

Studies focusing specifically on IAS 7 demonstrate that aggregation of financing-related payments reduces the usefulness of cash flow analysis. Dechow, Ge, and Schrand (2018) show that analysts rely heavily on financing cash flow patterns when assessing debt sustainability.[1] When lease payments are not separated into principal and interest components, leverage indicators become distorted, weakening predictive financial models. Khlif and Achek (2022) further

confirm that transparent classification of financing cash flows enhances investors' ability to evaluate long-term solvency[4]. According to Deloitte (2024), IFRS 18 reinforces the requirement that economically different transactions must not be grouped together if such aggregation obscures financial meaning. [2]

Methods

The research is methodological and conceptual rather than empirical. It does not rely on firm-level datasets or econometric testing, but instead focuses on normative accounting development. While this limits statistical generalization, it enables a deeper theoretical integration of international standards and provides policy-oriented recommendations. Future research may extend the framework through empirical validation using financial reporting data from Uzbek enterprises.

Discussion

The leasing market in Uzbekistan has demonstrated significant growth in recent years, indicating an expansion of financing activities that directly impact corporate cash flow structures. According to the Leasing Association of Uzbekistan, the total leasing operations portfolio in 2024 exceeded 8.8 trillion Uzbek soms, and over 11,000 new leasing deals were concluded, marking an 18% increase compared to 2023.

Under international accounting norms, particularly IFRS 16, lease liabilities are recognized on the balance sheet similar to other financial liabilities, and related payments include both principal and interest components. However, if these payments remain aggregated in the statement of cash flows, users cannot differentiate between:

Separating principal and interest components enhances financial ratio analysis. Investors can evaluate debt repayment capacity, financing cash flow dependency, long-term solvency, effective cost of capital.

Results

The research confirms that lease payments represent structured financing transactions that must be analytically separated into principal and interest

components. Aggregated reporting masks the true financial structure of lease obligations and weakens the interpretability of corporate cash flow statements.

To demonstrate the analytical impact, a model lease contract was simulated using a standardized financial structure typical for Uzbek enterprises.

Table 1

Simulated lease payment structure (annual)

Indicator	Amount (UZS)	Economic function	Cash flow classification
Total lease payment	1,200,000,000	Composite payment	Aggregated
Principal repayment	900,000,000	Liability reduction	Financing outflow
Interest payment	300,000,000	Financing cost	Operating / Financing

The table shows that 75% of the lease payment represents liability repayment rather than operating expense. When reported as a single figure, the financing burden is underestimated by financial statement users.

When principal repayments are correctly classified as financing outflows, financing cash flow indicators change substantially. Consider the following scenario:

Disaggregation enables accurate calculation of key financial ratios:

- Lease debt coverage ratio
- Financing dependency ratio
- Cash leverage ratio
- Long-term solvency indicators

Without separation of principal and interest, these ratios lose predictive power. The model shows that enterprises with identical operating performance may appear financially stronger simply because lease obligations are hidden in aggregated reporting.

The results demonstrate that: a) Lease payments are financing transactions in substance; b) Aggregation distorts financial analysis; c) Disaggregation improves transparency and ratios; d) The proposed model aligns with IFRS logic; e) Uzbek enterprises would significantly benefit from adoption.

Conclusion

This study demonstrates that improving the presentation of lease liability payments in corporate cash flow reporting is a critical requirement for enhancing financial transparency in Uzbek enterprises. The rapid expansion of leasing as a financing instrument has transformed corporate capital structures, making accurate classification of lease payments essential for reliable financial analysis.

The research confirms that lease payments contain economically distinct components — principal repayment and financing cost — which must be separately reflected to preserve the informational integrity of financial statements. Aggregated reporting obscures financing obligations, distorts leverage indicators, and reduces the predictive value of cash flow analysis. The proposed disaggregation model aligns with IAS 7 classification principles, IFRS 16 lease recognition requirements, and IFRS 18 transparency standards.

In conclusion, separating lease principal and interest payments in the statement of cash flows is not merely an accounting refinement; it is a necessary step toward modern, transparent, and internationally comparable financial reporting in Uzbekistan.

References

1. Dechow, P. M., Ge, W., & Schrand, C. M. (2018). Understanding earnings quality: A review of the proxies, their determinants and their consequences. *Journal of Accounting and Economics*, 66(2–3), 344–401. <https://doi.org/10.1016/j.jacceco.2018.09.001>
2. Deloitte. (2024). IFRS 18: Presentation and disclosure in financial statements — Practical implications. Deloitte IFRS Publications. <https://www2.deloitte.com>
3. Giner, B., & Pardo, F. (2021). Lease accounting and financial reporting transparency under IFRS 16. *European Accounting Review*, 30(4), 725–746. <https://doi.org/10.1080/09638180.2020.1811962>

4. Khlif, H., & Achek, I. (2022). Financial reporting transparency and debt sustainability: Evidence from IFRS adoption. *Journal of International Accounting Research*, 21(2), 59–78. <https://doi.org/10.2308/JIAR-2020-067>