



IMPROVING MANAGEMENT ACCOUNTING IN RAILWAY TRANSPORT ENTERPRISES: THE CASE OF “UZBEKISTAN RAILWAYS” JSC

Babakhalov Norbuta Eshnazarovich

Doctor of Economics (DSc) Advisor on Financial and Economic Issues
“Uzbekistan Railways” JSC

A B S T R A C T	KEY WORDS
This article explores the theoretical and practical aspects of improving management accounting at “Uzbekistan Railways” JSC. The study analyzes current challenges in aligning national accounting practices with International Financial Reporting Standards (IFRS) and examines the potential of introducing modern management tools, including the Balanced Scorecard (BSC), digital transformation instruments, and international auditing practices. Findings indicate that effective integration of these approaches can enhance financial transparency, increase operational efficiency, and support sustainable development of railway transport enterprises in Uzbekistan.	Management accounting, International Financial Reporting Standards, railway transport, balanced scorecard system, digital transformation, audit, financial transparency, efficiency.

Introduction

Management accounting has become a key instrument for ensuring transparency, efficiency, and competitiveness in large enterprises, particularly in strategic sectors such as railway transport. For Uzbekistan, the railway sector plays a critical role in national logistics and international transit, making the modernization of accounting systems an urgent task. The transition to IFRS and the application of digital technologies require adaptation not only of financial reporting, but also of managerial decision-making processes. “Uzbekistan Railways” JSC faces the dual challenge of meeting global standards while ensuring sector-specific operational efficiency.

Literature Review

As emphasized by the President of our country, Shavkat Mirziyoyev: “Economy, above all, means accounting. In every aspect of our work, accounting must come first.”

This statement clearly demonstrates the importance of financial discipline and accurate record-keeping in the railway transport sector as well. In such a large infrastructure system, proper maintenance of financial accounts, strict control over expenditures, and the preparation of accurate reports for investment decisions require adaptation to international standards.

Accounting is a comprehensive system of financial records that reflects, in monetary terms, all information about an organization's assets, liabilities, capital, income, and expenses, systematically maintained on the basis of documents. Its primary function is to document every financial transaction occurring in the course of business operations, record it in the accounts, and ultimately form reliable reports for stakeholders such as state authorities, investors, tax agencies, creditors, and management.

Management accounting, in contrast, serves the needs of executives, department heads, and managers. Its main purpose is to provide an in-depth analysis of the company's current state, identify strengths and weaknesses, enable rapid decision-making, and support accurate future planning. Today, management accounting is no longer viewed as a supplementary calculation system but as a key management tool that enhances efficiency, identifies sources of profit, and facilitates rational use of resources.

The core functions of management accounting include:

Analysis of financial flows – tracking revenues and expenses in real time, effectively distributing and optimizing cash flows to increase liquidity and prevent unexpected difficulties.

Cost management – detailed recording of expenses related to production, transport, services, infrastructure, advertising, and energy use, enabling reductions of unnecessary costs and the development of cost-saving measures.

Profitability assessment – evaluating each product or service type separately, calculating profits and losses, and identifying the most profitable activities to determine strategic priorities.

Forecasting and planning – preparing financial projections for investment projects, expansion of production capacity, or growth of transport services, thereby helping management anticipate risks and allocate resources effectively.

Risk management – controlling risks such as declining demand, rising resource prices, disruptions in transport, or technical failures through accounting systems, thus ensuring company stability.

Management accounting, as an integral part of IFRS, functions as an information system that supports efficient organization of operations, rational use of resources, and adoption of strategic decisions. It covers not only financial indicators but also production, service delivery, marketing, human resources, and customer relations.

In modern economic conditions, management accounting is regarded as an inseparable part of corporate governance, as it enables not only reporting but also in-depth process analysis, determination of development strategies, and identification of opportunities for effective resource utilization.

Railway transport is one of the strategic sectors of Uzbekistan's economy, playing a vital role in organizing export-import operations, domestic logistics, and passenger transportation, as well as meeting the country's overall transport demand.

Reforms in Uzbekistan's railway sector have systematically reached a new stage. Presidential Resolution №329 is aimed at strengthening the sector financially and institutionally. The resolution pays special attention to strengthening financial discipline in the railway system, modernizing

management, and accelerating the implementation of accounting practices in line with international standards. In this regard, digital accounting systems, AI-based management platforms, and modern logistics centers are being introduced. As a result, accounting is evolving from a mere reporting instrument into a strategic source of information that underpins managerial decision-making.

The organization of management accounting enables effective corporate governance, adoption of sound strategic and tactical decisions, and rational utilization of resources. Furthermore, it helps management maintain financial stability, control costs, and expand revenue sources.

In our view, creating a Balanced Scorecard system in management accounting is of particular importance, as it reflects both the financial and non-financial aspects of enterprise activity in an integrated manner. This system supports information flow structuring, monitoring, and evaluation of managerial decisions. It forms a multi-level management model based on modern approaches, taking into account operational, resource, and efficiency factors within the internal environment, as well as the changing economic and market conditions of the external environment.

Based on our proposals, we suggest that management accounting at “Uzbekistan Railways” JSC be organized around six key components of the Balanced Scorecard:

Key Performance Indicators – overall company performance such as annual freight volume (million ton-km), passenger traffic (million passenger-km), turnover of working capital, production volume, net profit from core activities, asset and capital profitability, income-to-expenditure ratio, state investment projects, opening of new routes, growth of transit traffic, and increases in export-import transportation. This serves as a general “diagnostic panel” for management.

Operational indicators – analysis of freight and passenger transport (domestic, international, express trains), logistics, forwarding, terminal, and container services; revenue dynamics (monthly and yearly), demand at border crossings, wagon turnover, locomotive productivity, and infrastructure capacity. This helps determine which business segments are most profitable and where to focus development efforts.

Efficiency of rolling stock utilization – measuring locomotive and wagon mileage, downtime, wagon turnover, average daily distance, locomotive productivity, and empty run percentages. These indicators reveal the degree of efficiency in transport fleet usage and directly affect financial results. Service quality indicators, such as punctuality and customer satisfaction, are also key.

Labor resource efficiency – including labor productivity, staff turnover, working time utilization, KPI-based individual performance measurement, overtime analysis, and night-shift work monitoring. These indicators ensure efficient workforce management and productivity growth.

Unrealized revenue and losses – arising from factors such as idle rolling stock, unfulfilled demand, delayed services, competition-driven traffic loss, accidents, and technical failures. Both missed revenues and direct losses are systematically analyzed to strengthen operational resilience.

Cost management indicators – particularly fuel and energy consumption, which form the largest share of operational costs in railway transport. Detailed monitoring, optimization, and control of these expenditures are crucial for competitiveness and sustainability.

State-owned enterprises, including Uzbekistan's railway sector, are actively adapting to international standards by engaging major global audit firms ("Big Four"). This has improved both external audits and internal control mechanisms, providing reliable information for decision-making and enhancing transparency for foreign investors

The Resource Planning and Integration (RPI) system is a modern information mechanism for integrated enterprise management, consolidating various functions such as finance, logistics, maintenance, and supply into a single platform. It ensures accurate resource planning, eliminates unnecessary expenses, and provides real-time monitoring and alerts (e.g., fuel consumption overruns). The RPI system, integrated with 1C Accounting, supports automated and transparent reporting, thereby improving efficiency and decision-making.

Finally, the Balanced Scorecard approach enhances the accuracy, timeliness, and multi-dimensional nature of managerial information. It evaluates not only financial results but also non-financial aspects such as customer relations, internal process efficiency, human capital capacity, and compliance with quality standards. We believe that this system, adapted to modern organizational needs, provides an effective management tool for enterprises operating in rapidly changing and strictly regulated industrial environments.

Conclusion

The reforms being carried out in the development of the transport system of the Republic of Uzbekistan, particularly the profound changes in the railway sector, necessitate a fundamental renewal of the management accounting system. Organizing management accounting and financial reporting in accordance with International Financial Reporting Standards (IFRS) is important not only for optimizing internal management processes but also for strengthening international economic integration.

The adaptation of the management accounting system in railway transport to IFRS has opened up a range of new opportunities for the sector. In particular, the application of the Balanced Scorecard increases management efficiency, ensures rational use of resources, and allows for strict control in reducing costs from maximum to minimum levels. It also helps minimize locomotive downtime and unprofitable operations, while digital transformation enables automation of accounting processes, providing speed, accuracy, and in-depth data analysis. Moreover, since IFRS-based reporting complies with international requirements, it increases the confidence of foreign investors.

This process creates a solid foundation for strategic development and ensures the sustainable growth of the railway transport system.

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