

Improving the accounting of teaching services in higher education institutions of the republic of Uzbekistan

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Abstract

This paper examines the theoretical and practical aspects of organizing accounting for educational services in higher education institutions in Uzbekistan. In particular, it thoroughly examines the specific features of accounting for various sources of income in the higher education system - tuition contract payments, additional paid courses, and grant funds. The national regulatory framework, international standards requirements, and practical experience were compared. The article explores ways to improve the accounting of educational services in Uzbekistan's higher education system and develops scientifically and practically grounded proposals and recommendations aimed at ensuring transparency of financial management and the effective administration of revenues from educational services.

Keywords: Basic Tuition Contract; Accounting; State Grant; Financial Reporting; Higher Education Institutions; Increased Tuition Contract; Educational Services; International Standards (IPSAS)

1. Introduction

In recent years in the Republic of Uzbekistan, defining the priority directions for the systemic reform of higher education; elevating to a qualitatively new stage the training of highly qualified specialists who possess modern knowledge, strong moral and ethical values, and independent thinking, modernizing higher education, developing the social sphere and branches of the economy on the basis of advanced educational technologies, promoting public-private partnership in the higher education sector and organizing the activities of public and non-state higher education institutions across the regions have become matters of particular importance. In Uzbekistan, renewing higher education in line with modern requirements and training highly qualified specialists who think independently and embody high moral and ethical values has become a consistent priority of state policy. These objectives have been designated - by Presidential decree -as priority directions for the systemic reform of higher education [1].

The development of Uzbekistan's higher education system and the granting of financial autonomy to institutions, the expansion of educational services financed from the state budget and on a tuition-contract basis, and the phased introduction of a credit- modular system in the academic process at the country's higher education institutions (HEIs) have further brought to the fore the need to ensure transparency in accounting and financial oversight [2].

In the course of improving the system for organizing the educational process in higher education institutions, the credit-modular (ECTS) approach has been introduced and regulated at the institutional level. The official webpages and methodological documents of the Ministry-affiliated higher education institutions also set out the rules and procedures for the credit-modular system.

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Over the past decade, the number of higher education institutions (HEIs) in Uzbekistan has risen from 69 to 202 (as of the beginning of the 2024/2025 academic year), that is, a threefold increase. The number of students has also grown steadily since 2015, reaching 1.43 million in 2024/2025 (five times higher than the 264 thousand recorded in 2015/2016). These indicators point to an expansion in the scale and complexity of the market for educational services, which, in turn, necessitates strengthening transparency in accounting and financial oversight.

Higher education institutions (HEIs) are being granted academic and financial autonomy in stages. This direction aligns with the strategic objectives of the "New Uzbekistan 2022–2026" program and the recommendations of international financial institutions. The World Bank's blog explicitly underscores the goal of granting HEIs financial autonomy and academic independence, and open sources note that in 2024 autonomy was granted to 40 universities. As autonomy expands, the need to maintain accounting for revenues - tuition-contract funds, grants, and ancillary services - on the basis of clear, formalized policies becomes ever more pressing [3].

2. Literature Review

A number of foreign and local economists have conducted research on organizing the accounting of teaching services in higher education institutions and reflecting them in financial accounting. In particular, Australian scholars U. Schmidt and T. W. Günther, in their studies, evaluate the financing and accounting of services in higher education institutions as instruments for the efficient allocation of resources. According to them, if transparent and accurate accounting is not maintained for revenues from educational services, this will lead to increasing additional expenditures from the state budget [4].

British economist N. Barr emphasizes that diversifying revenues - including disaggregating tuition-contract funds—can enhance both quality and access. He notes that accounting policies should properly separate these streams and clearly present net revenue. Therefore, higher education institutions should attach particular importance to organizing the accounting for teaching services correctly [5].

S.U. Mekhmonov, a local economist, emphasized: «There are a number of specific features in organizing accounting in budgetary institutions. These are primarily directly related to the ownership basis of the budgetary institution, the principles of drafting and executing the state budget, and a number of other factors» [6].

According to the scientific research carried out by A.A. Ostonokulov, it has been scientifically substantiated that the management of extra-budgetary funds in higher education institutions should follow a consistent sequence. This sequence encompasses the drafting, approval, submission, and registration of revenue and expenditure estimates, the opening and maintenance of personal treasury accounts, the organization of revenue and expenditure execution, the recognition and documentation of the formation of revenues and expenditures, as well as the preparation and submission of reports on the movement of extra-budgetary funds of higher education institutions [7].

The scientific studies of the aforementioned researchers highlight the necessity of enhancing the accounting practices for payment-contract funds in higher education institutions, as well as refining the reporting forms prepared in this process. In this regard, it is recommended to guarantee the purposeful utilization of expenditures covered by payment-contract funds in higher education institutions, which in turn contributes to the proper organization of accounting activities and the strengthening of financial stability in these institutions.

3. Analysis And Results

Maintaining the financial stability of higher education institutions is directly dependent on their financial resources, the proper organization of these resources, and the targeted use of the funds generated. As is well known, the primary financial source of higher education institutions is formed through educational services, namely tuition (payment-contract) fees. The practice of accounting for educational services in higher education institutions plays a crucial role in strengthening institutional transparency, accountability, and strategic decision-making. Considering the increasing complexity and diversity of financing sources and operational activities in higher education institutions, assessing the theoretical and methodological foundations of expenditure accounting approaches becomes of decisive importance.

Below, we analyze the financing sources of state higher education institutions operating in our republic for the period 2019–2023 (Figure 1).

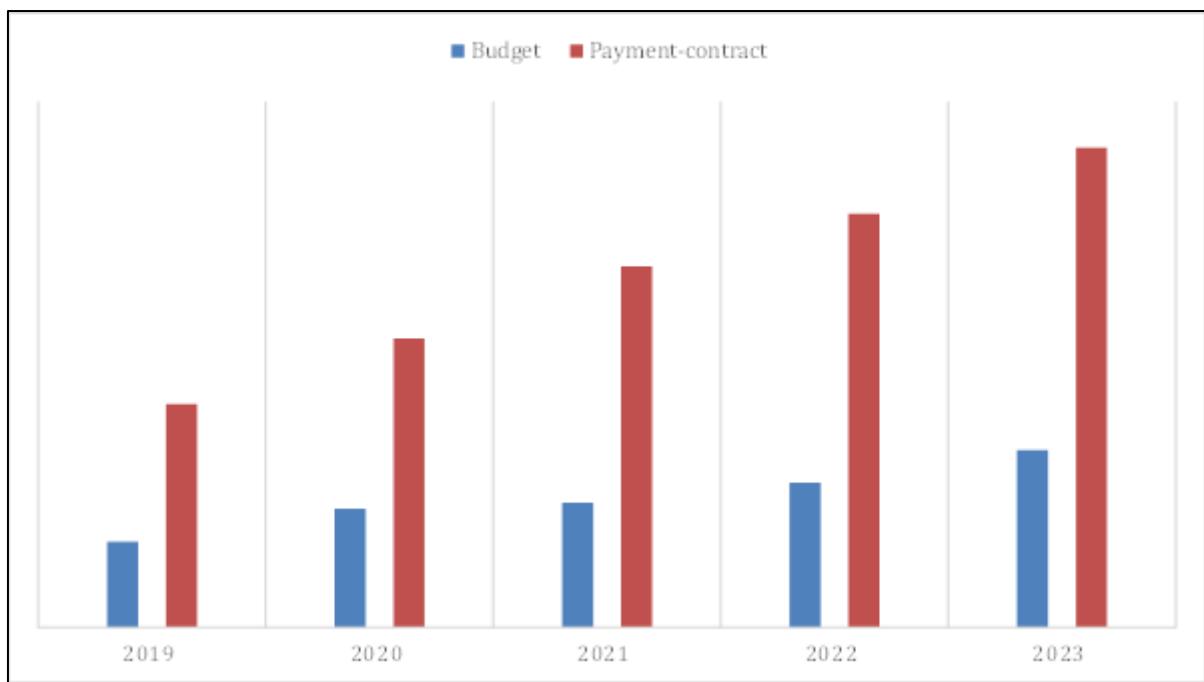


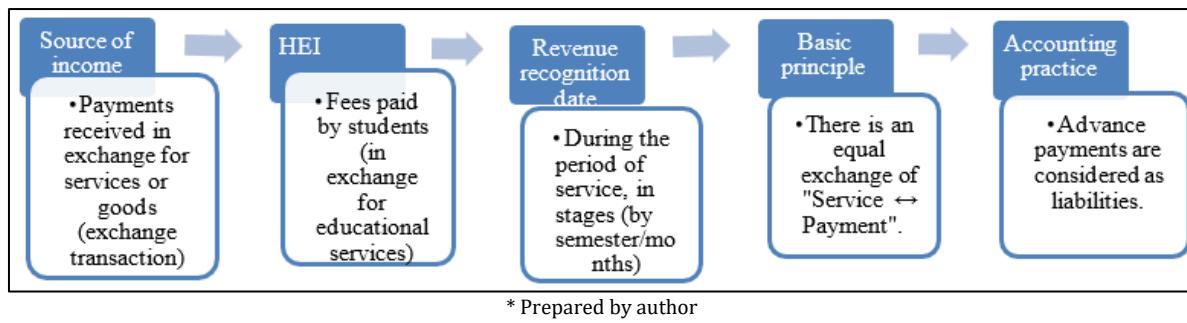
Figure 1 The volume of financing sources of higher education institutions in the republic during 2019–2023 (IN TRL UZS)

Prepared by author based on statistical data of the Ministry of Higher Education, Science and Innovation of the Republic of Uzbekistan.

If we analyze these data in percentage terms, the proportions become even more evident. In 2019, 28 percent of the total financing of higher education institutions was accounted for by budgetary funds, while 72 percent came from tuition (payment- contract) fees. By 2023, this ratio had shifted slightly, with budgetary funds comprising 27 percent and tuition (payment-contract) fees accounting for 73 percent of total financing.

Based on our analytical data, it can be observed that in the financing of the higher education system in our country, there is a continuing trend toward reducing the share of budgetary funds and expanding self-financing. This, in turn, leads to a greater reliance on payment-contract fees in higher education institutions, thereby necessitating the further improvement of accounting practices, the accurate valuation of the education services market, and increased attention to issues of cost calculation. Any shortcomings in this regard may result in a number of deficiencies in financial management.

In improving the accounting of educational services in higher education institutions, it is necessary to study international standards and harmonize them with the national accounting system. Tuition (payment-contract) revenues are generally considered an exchange transaction, as they involve the provision of educational services under contractual terms in return for payment. This corresponds directly to the requirements of IPSAS 9. This standard prescribes the accounting treatment of revenue arising from exchange transactions and events, the main question being when to recognize revenue. Revenue is recognized when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably. IPSAS 9 identifies those circumstances in which these criteria are satisfied and when revenue needs to be recognized accordingly. It also provides practical guidance on the application of these criteria. From the perspective of revenue recognition related specifically to educational services, this standard is applicable. The criteria for IPSAS 9 are as follows (Figure 2).



* Prepared by author

Figure 2 The criteria for IPSAS 9

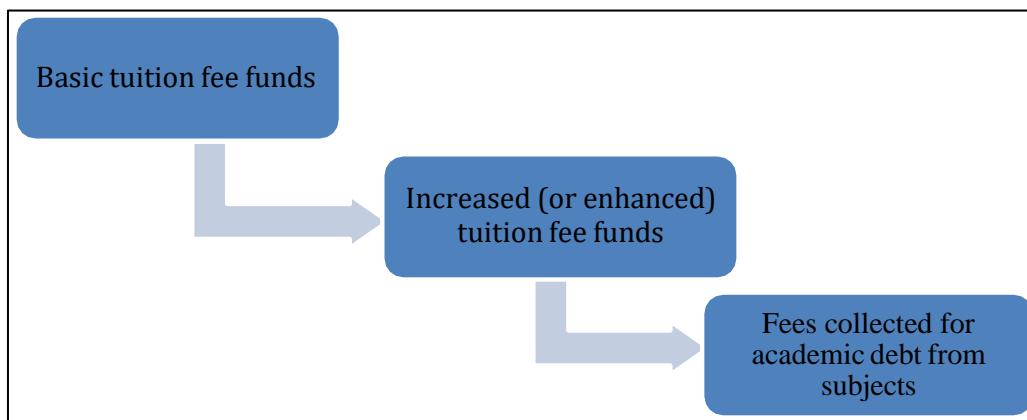
Revenue is the gross inflow of economic benefits or service potential during the reporting period that results in an increase in net assets/equity. Revenue from educational services is recognized progressively over the period in which the services are delivered (e.g., by semester or by month). Advance payments are recorded as "deferred income/liabilities" under the category of revenues received but not yet earned. Discounts and scholarship compensations are presented separately as contra-revenue. According to the accounting policy and the working chart of accounts, revenues should be coded by specific categories (full-time/part-time/evening, bachelor's/master's level, international/domestic students, etc.), and separate accounts should be maintained for student receivables and deferred income [8]. The accounting entries are as follows (table 1).

Table 1 Entries for educational service revenues

Date	Description	Debit (Dr)	Credit (Cr)
Upon receipt of an advance payment	Recognition of advance tuition fees received from students	Bank accounts	Deferred income (advance)
At the end of the month (services rendered)	Recognition of earned portion of tuition revenue	Deferred income	Educational service revenue
When granting a discount / Scholarship compensation	Recording reduction of revenue due to discount/scholarship	Revenue reduction (contra-revenue)	Student tuition revenue charged

* Prepared by the author based on IPSAS 9

In higher education institutions, special attention should be given to the composition of tuition fee (contract-based) funds in accounting practices. It is advisable to maintain separate accounting records for tuition fee funds according to the following categories (Figure 3).



* Prepared by author on the studied materials

Figure 3 Composition of tuition fee funds

In the process of organizing the accounting of tuition fee funds, it is of particular importance to record their composition separately. Proper and detailed classification of these funds enhances the accuracy, transparency, and analytical capacity of financial reporting. Conversely, insufficient attention to this process may lead to inconsistencies in the analysis of financial flows and reduce the reliability and transparency of information related to the movement of tuition fee funds. Therefore, it is essential to maintain separate accounts for each payment category, ensure their registration within the accounting information system in accordance with a fixed singles plan, and establish effective control mechanisms.

In accounting for educational services, it is essential not only to properly recognize revenues but also to accurately classify and record the related expenses. When the expenses are recorded in correspondence with each revenue category mentioned above, the reliability and analytical value of the financial statements are significantly enhanced. Revenue from educational services should be recognized progressively, in proportion to the completion of the academic semester or month. This means that any advance payments received should not be recognized as revenue until the corresponding teaching services have actually been rendered. When a payment for teaching services is received, it should initially be recorded as a cash inflow (receipt), and only after the educational services are delivered, it should be recognized as revenue on a monthly or semester basis. This approach ensures that, in cases where refund obligations arise for advance payments, such transactions are not recorded as reductions of previously recognized revenues. Consequently, previously prepared and submitted financial statements remain unaffected and continue to present accurate and reliable information regarding recognized revenues. Advance payments for educational services must be recorded in accounting as deferred income (revenue of future periods). This requirement is directly linked to one of the fundamental principles of accounting- the revenue recognition principle. Advance payments made for educational services represent amounts received by higher education institutions for services that have not yet been rendered. In other words, such payments do not constitute actual income for the institution but rather represent a liability - an obligation to deliver educational services in the future. Therefore, they should be recorded in accounting as liabilities under "deferred income".

According to international accounting standards (IPSAS/IFRS), revenue may only be recognized when the service has actually been provided or when the student has completed the educational program. For example, if a student pays tuition for an entire academic year in advance, the full amount should not be immediately recognized as income. Instead, it should be progressively recognized as revenue over 12 months, by semester or monthly, in line with the delivery of educational services. If advance payments are recognized immediately as income, this would artificially inflate revenues in the current reporting period and subsequently decrease them in later periods, leading to misrepresentation of financial performance. Such distortions can result in errors in budget planning, financial analysis, and audit conclusions.

Therefore, classifying advance payments as deferred income ensures accuracy, analytical stability, and reliability of financial reporting. In addition, maintaining separate records of advance payments facilitates effective monitoring of individual

students' payment discipline and outstanding balances, supports semester-based revenue planning, and enhances transparency in treasury and internal audit processes.

4. Discussion

In higher education institutions, particularly in transition economies such as Uzbekistan, a comprehensive, systematic, and phased reform program is essential to enhance the efficiency of revenue accounting related to teaching services. Such reforms are not only intended to align accounting practices with international standards but also to ensure the transparency, stability, and accountability of the financial management system.

It is necessary to thoroughly analyze the existing legal and regulatory framework and update it in accordance with international best practices and experiences. In particular, the implementation of accrual-based accounting systems should be made mandatory at all levels of public administration. This approach would enable accurate revenue recognition, proper allocation of income across reporting periods, and the determination of financial outcomes based on actual performance indicators. At the same time, the principles of revenue recognition should be fully harmonized with IPSAS international standards.

To ensure effective oversight of the revenue accounting system, it is crucial to strengthen the centralized financial control body under the Treasury or to reinforce the internal audit units within higher education institutions. These entities should be responsible for developing and implementing revenue accounting policies, conducting regular audit supervision, and ensuring a unified accounting approach across all higher education institutions.

Reinforcing accountability and transparency mechanisms in public finance is of utmost importance. To this end, comprehensive annual revenue reports, semi-annual analytical reviews, and independent performance audits should be prepared and made publicly available. Such transparency would allow policymakers, civil society, and international partners to monitor revenue trends, evaluate fiscal policy, and make well-informed financial decisions.

Overall, the reforms in this field will contribute to harmonizing the accounting system of higher education institutions in Uzbekistan with international standards and ensuring transparency, efficiency, and reliability in financial management.

5. Conclusion

In conclusion, improving the accounting of educational services in higher education institutions is not only a matter of strengthening financial discipline but also a strategic factor contributing to the sustainable development of the education system

by enhancing transparency, reliability, and efficiency. The conducted analysis shows that, although the accounting practices for teaching services in Uzbekistan's higher education institutions are being gradually aligned with various sources and international approaches, there remain areas that require further improvement - particularly in revenue recognition principles, the level of digitalization, the segregation of payment- contract funds, and the internal control and audit systems.

The following recommendations are proposed to address these shortcomings

- Recognize revenues from educational services in accordance with IPSAS 23 standards;
- Develop a unified electronic platform for monitoring contract payments;
- Maintain separate accounting records for different categories of payment- contract funds;
- Strengthen the accounting and internal audit systems within higher education institutions;
- Ensure transparency through the digitalization of financial monitoring processes.

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