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ANALYSIS OF BANKS' FINANCIAL STATEMENTS

Boykobilova Iroda Jontemir
Daughter of Samarkand Institute of Economics and Service, teacher of the Department of Accounting and Auditing in Other Sectors

Abstract: Modern banking is a dynamically developing business sector. Banking, historically the most heavily controlled and regulated area of economic activity is slowly becoming a liberalized business worldwide.

***Keywords*:** Bank balance income, expenses, profit, assets, liabilities, joint-stock company, capital, securities.

The transition from old to new methods in the organization of banking work was carried out differently in different countries, which led to the fact that the banking system of these countries was in a different state. **First , the escalating global financial crisis showed the existence of serious defects in the world financial and banking system and the need for radical reform of this system. At the same time, this crisis also confirmed the lack of control over the activities of banks, which were mainly working for their own corporate interests, and indulged in various speculative practices in the credit and securities markets.**

Therefore, we should constantly monitor and analyze the activities of our banks.

The list of services provided by banks and information on the size of the banking institution are reflected in the financial report.

forms of financial reporting are especially important to bank management staff, customers, and banking supervision and regulation bodies :

- Bank balance;
- The report on financial results (revenues, costs and profits) is of great interest.

Bank balance

A balance sheet, or statement of financial position, is a list of the assets, liabilities, and shareholders' equity that a bank has at any given date.

Based on the fact that the bank provides a unique product (service) to consumers, the balance equation will be as follows:

Assets = Liabilities + Shareholder's Equity

Assets in banking include:

- Cash in bank cash registers and deposits in other banks (including HKKM (account-book cash center) (S) ,
- securities of the state and other issuers that can be purchased on the open market (S),
- loans to customers and financial lease (lease) (L),
- we can introduce secondary assets (A).

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Bank liabilities are divided into 2 main parts:

- deposits belonging to various customers (D),
- non-deposit funds attracted from the money and financial market (ND).
- Finally, equity capital-
- samoy deposited in the bank by the owners for a long time is (ES).

So the balance formula will look like this:

S + L + S + A = D + ND + EC

The bank's statement of income and expenses.

A bank's statement of income, expenses and profit reflects the income and expenses received during a certain period (usually 1 fiscal year). Bank balance and income, the main items of the statement of expenses and profit are interrelated. Because in the end, balance sheet assets provide operating income, while liabilities create operating expenses.

The main source of the bank's income is considered to be " **producing** " assets, and more:

- loans (L),
- securities (S),
- all deposits located in other banks (S) and
- are secondary assets (MA) that accumulate income (including all income received by subsidiaries and xk).

The main costs associated with obtaining these revenues are:

- Interest paid to depositors (D),
- payments on non-deposit funds (ND),
- wages paid to bank employees (SV),
- additional costs related to the operation of buildings and equipment (O),
- provision for potential loan losses (RL),
- taxes (T)
- and secondary expenditure (ME).

The difference between total revenues and total expenses constitutes net profit.

So:

Net profit = Revenue items – Expense items

Here

Items of income

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(monetary assets x average income from the use of monetary assets) + (investments in securities x

average income on investments in securities) + (loans issued x average interest on loans) + (secondary assets x average income from the use of secondary assets)

Cost items

(total amount of deposits x average interest payments on deposits) + (non-deposit funds attracted x average interest payments on non-deposit funds) + wages + overhead costs + reserves for possible loan losses + secondary expenses + taxes to pay.

Based on the above, banks have several opportunities to increase their income. Among them are the following:

1) Increase the average return on each of the assets;

2) increasing the amount of the highest yielding assets through asset reallocation;

3) reduce interest payments or non-interest expenses.

4) restructuring of the deposit base to attract cheap deposits and non-deposit funds;

5) reduce tax payments by applying new methods of tax administration.

As a conclusion, we can say that the management of the bank cannot hold all the positions of increasing the net profit in their hands. Because the amount of income received from the use of various assets, payments for rendered services, interest payments on deposits and non-deposit funds depends on the ratio between supply and demand in the market and the monetary policy of the Central Bank and other factors. Despite this, in many ways, the bank's management makes the right decision, credit, determines the position of the portfolio of securities, cash and deposits.

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