

ACCOUNTING AND AUDIT OF SHORT-TERM CREDIT OPERATIONS IN
COMMERCIAL BANKS

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Abstract. This article examines the accounting mechanisms for short-term lending operations in commercial banks and their internal audit. Using the example of Uzbekistan's banking sector, it analyzes types of short-term loans – consumer loans, overdrafts, and credit lines – and recent changes in their structure. The study reviews the practices of bookkeeping entries for disbursement and repayment of short-term loans, interest accrual, and provisioning. The methodology of internal audit in banks for inspecting short-term credit operations, risk assessment, and control is also described. In the results section, a table and graph are used to analyze statistical data from 2018–2023 on the dynamics of the short-term loan portfolio, the decline of its share, growth of loan volumes, changes in interest rates, and non-performing loan indicators. The issues identified by internal audits and the measures to address them are discussed. The conclusion offers recommendations to improve short-term loan accounting and internal audit in banks.

Keywords: short-term loans, consumer credit, overdraft, credit line, accounting, internal audit, loan portfolio, interest rate, non-performing loans, provision.

Introduction

Proper accounting and effective control of credit operations in commercial banks are important for the financial stability and reliability of banking activities [1] [2] . In particular, short-term loans (usually loans with a term of up to one year) occupy a special place in the credit portfolio of banks. They are widely used to cover the immediate needs of individuals and enterprises for working capital, as well as to finance consumer purchases. In recent years, the Republic of Uzbekistan has seen a sharp increase in the amount of consumer loans and microloans allocated to the population - it is reported that during 2021–2023, the volume of retail (granted to individuals) loans in the republic increased by 171%, in particular, consumer and car loans increased by 410% and 264%, respectively [3] [4] . Such a sharp increase poses challenges for banks to manage their loan portfolios qualitatively, accurately account for short-term loans, and minimize risks.

Accounting for short-term credit operations is a complex process , in which each of the following events, such as the allocation of credit, the calculation of interest, the delay in the payment of debt and its restructuring, must be correctly reflected in the accounts. Accounting in commercial banks of Uzbekistan is carried out in accordance with national standards on the basis of a separate chart of accounts [5] [6] . In this chart, accounts for short-term loans are regulated in detail by type of debtor and credit status (current, overdue, restructured) (for example, if account 12500 includes “Short-term loans to individuals”, then a reserve is allocated for them in account

12599) [7] [8] . The introduced strict accounting policy serves to correctly reflect the quality of loans and the reserves allocated to them in the bank balance sheet .

On the other hand, the internal audit service of banks should constantly monitor the correct execution and recording of these operations. Internal audit, as an independent structure within the bank, examines the activities of all departments , in particular lending processes, and identifies errors and shortcomings. In accordance with the Regulation “On Requirements for Internal Audit of Commercial Banks”, approved by the Central Bank in 2021, it was determined to introduce risk-oriented internal audit practices in banks and to draw up an audit plan based on the bank's risk profile [1] . Internal auditors are responsible for identifying violations and shortcomings in lending processes, making proposals for their elimination, and submitting reports to management [9] . In recent years, cases of looting and misuse have been observed in some banks during the process of allocating short-term loans, and the Central Bank has sharply criticized such shortcomings [2] [10] . This indicates the need to further strengthen internal control and audit.

Thus, the relevance of the topic of accounting and auditing of short-term credit operations is increasing against the background of rapidly growing lending volumes in the banking system of Uzbekistan. The purpose of this study is to analyze the practice of accounting for short-term loans in commercial banks , to study the control of these processes by internal audit, to identify existing problems in practice and theory, and to develop proposals for their elimination. The scientific novelty of the article is that it assesses the changes in the share of short-term loans and the effectiveness of internal audit based on the analysis of national statistical data and regulatory documents in recent years.

Literature review

and auditing of lending operations in banks shows that the harmonization of international standards and local regulatory documents in this area is of great importance. According to the International Financial Reporting Standard for Accounting for Loans (IFRS 9) , banks must, from the initial recognition of loans, carry out their subsequent valuation (based on amortized cost or fair value) and allocate reserves for possible losses. In accordance with this standard, possible losses for each debtor are estimated in advance using the impairment model of loans . Although commercial banks of Uzbekistan are in the process of gradually transitioning to the preparation of financial statements based on international standards, at the moment the accounting is carried out based on the requirements of the national chart of accounts [5] [6] . The new Chart of Accounts, approved by the Central Bank Board in 2021, established standard accounting entries for all major financial transactions carried out in commercial banks [11] [12] . This chart indicates that short-term loans are reflected in asset accounts in the range “11900–13400”, that each debtor is separately analytically accounted for and that they are transferred to the appropriate sub-accounts depending on changes in credit quality (for example, overdue loans are in 12x05-accounts, renegotiated terms are in 12x09-accounts, etc.) [13] [14] . The literature notes that such a detailed accounting system facilitates monitoring the quality of bank assets and providing accurate reporting to regulatory authorities.

When analyzing the sources on internal audit issues, the recommendations of the Basel Committee on Banking Supervision occupy a special place. The Basel Committee's document “Principles of Internal Audit in Banks” sets out criteria for the independence, comprehensiveness and professional competence of the internal audit service. In particular, it is emphasized that internal audit should be a structure independent of management, directly subordinate to the Supervisory Board (or Board of Directors) of the bank [15] . When examining credit processes, internal auditors should carefully monitor compliance with the bank's credit policy, the

completeness and accuracy of credit documentation, and the correct allocation of classifications and reserves. The International Standards of Professional Practice of the Institute of Internal Auditors (IIA) also guide internal audit activities in the same direction and encourage the use of a risk-based approach [16] . This means that when developing audit plans, the bank's most risky areas, including the quality of the loan portfolio and the state of credit risk management, should be taken into account.

One of the important documents regulating the internal audit of commercial banks in Uzbekistan is the aforementioned Regulation of the Central Bank (May 7, 2021, registration number 3302) [17] . This regulation describes in detail the procedure for organizing an internal audit service, planning and conducting audit audits. In particular, when drawing up a bank's annual internal audit plan, it is required to take into account the bank's risk profile and cover major risks [16] . It is strictly stipulated that the independence and impartiality of internal audit staff must be ensured, and conflicts of interest that may arise during audits must not be allowed [9] . According to sources, a number of reforms have been implemented in recent years to increase the role of internal audit as part of improving corporate governance in the banking system of Uzbekistan . International rating agencies such as Fitch Ratings have also noted positive changes in the regulatory reforms and governance of the country's banking system, emphasizing the strengthening of internal control and audit in these processes . [18] At the same time, some scientific studies have emphasized the need to automate credit monitoring using modern information technologies, provide additional training to audit staff in financial analysis, and fully implement internal audit standards as factors for increasing the efficiency of internal audit in commercial banks.

In conclusion, it can be said that the literature review has determined the theoretical and practical foundations of the topic of this study. The issue of harmonious application of the requirements of the national chart of accounts and international standards for accounting for short-term loans is relevant. As for internal audit , it is necessary to implement a risk-oriented approach based on new procedures and principles. In the following sections, the current state of these issues will be analyzed in detail using statistical data obtained on the example of commercial banks of Uzbekistan.

Methodology

used analytical and descriptive methods to study the accounting of short-term credit operations in commercial banks and their internal audit. First, data were collected from the official reports, statistical bulletins and regulatory documents of the Central Bank of the Republic of Uzbekistan and commercial banks in recent years. In particular, the published indicators of the Central Bank on banking statistics were studied , including indicators such as the volume of loans, their structure by term, the dynamics of interest rates and the share of problem loans [19] . Based on this data, the general trend and structural changes in the portfolio of short-term loans for the period 2018–2023 were determined. Second, regulatory documents regulating the activities of commercial banks were analyzed, including the resolution approving the chart of accounts and the regulation on internal bank audit [11] [17] . These documents served to understand the accounting and audit standards used in banks for short-term loans .

The statistical data obtained within the framework of the research methodology were systematized in graphical and tabular form. The growth rates of the volume of loans, the share of short-term loans in the total loan portfolio of banks were calculated over the years and graphically depicted for visual comparison. Also, changes in interest rates were analyzed based

on the statistics of the Central Bank of the weighted average rates [20] [21] . In order to assess the effectiveness of internal audit, some examples of audit inspections covered in open sources (for example, cases of untargeted lending in banks) were considered [10] [22] . Using this data, the typical types of deficiencies identified by internal audit and their relationship with the quality of short-term loans were studied.

The study drew conclusions based mainly on the analysis of secondary (second source) data. All figures and facts were confirmed by official sources and cited in the text. In the results section , based on this data, a discussion was held, the current state of accounting and auditing of short-term credit operations was assessed, and scientific and practical proposals were developed to solve the identified problems. Aggregate analysis at the level of the banking system was chosen as the methodological approach for the study , and an in-depth analysis of individual bank cases was not carried out - on the contrary, attention was paid to general trends and systemic issues. This allows for a macro-level understanding of the topic and comprehensive conclusions.

Results and discussion

The volume of lending in the Uzbek banking system has increased sharply over the past five years. As a result of the economic reforms and bank modernization processes that began in 2017, the annual growth rate of credit deposits in 2018–2019 was around 50% [23] . For example, in 2019, it was noted that the volume of loans allocated to the economy increased by about 55% compared to 2018 [23] . In subsequent years, growth slowed down somewhat - in 2020, the loan portfolio expanded by about 18–20%. As a result, by the end of 2020, the total loan portfolio of banks exceeded about 400 trillion soums [24] . In 2021, loan growth slowed down significantly, and the main focus was on portfolio quality and restructuring of loans issued during the pandemic. At the end of 2022, the total volume of loans in the banking system was around **390 trillion soums** , which means that this indicator has also decreased in some years [19] .

An important structural change in this dynamic is the decrease in the share of short-term loans. While in 2018, short-term loans with a maturity of up to one year accounted for **more than 50% of the total loan portfolio** [25] , in subsequent years the share of long-term loans has increased. By 2022, long-term loans accounted for about 80% of the total portfolio, while short-term loans accounted for only **20%** [26] . Thus, the relative share of short-term loans has almost halved in five years. This trend is also clearly demonstrated in the graph below .



Figure 1 Share of short-term loans in the total loan portfolio

Source: Author's calculations based on Central Bank statistical information .

the total loan portfolio of commercial banks in Uzbekistan (2018–2022). In 2018, short-term loans accounted for more than half of the portfolio , but by 2022 they amounted to only one fifth. During this period of change, the share of long-term, mainly investment and mortgage loans, increased significantly [25] [26] . The decrease in the share of short-term loans is explained by the acceleration of long-term project and mortgage lending in the activities of banks , as well as the extension of the term of some short-term loans.

As can be seen from the graph above, the share of short-term loans has consistently decreased from ~50% in 2018 to around 30% in 2020, and reached 20% by 2022. It is also appropriate to present these figures in tabular form (Table 1).

Table 1

Commercial banks' loan portfolio size and share of short-term loans (Uzbekistan, 2018–2022)

Indicator	2018	2019	2020	2021	2022
Total loan volume, trillion soums (estimated)	~230	~345	~410	~430	390 [19]
Share of short-term loans, %	~50	~40	~30	~25	~20 [26]
Share of non-performing loans (NPL), %	~1.5	~2.0	2.1 [27]	5.2 [27]	3.6 [19]

Source: Statistical information of the Central Bank of the Republic of Uzbekistan, 2021–2023; Spot.uz (26.01.2023); Depozit.uz (2021); based on calculations summarized by the author.

Note: The total loan volume values for 2018–2019 are approximate based on calculations; figures for 2020 and beyond are taken from official sources. The share of short-term loans was estimated based on Central Bank data from 2021 (the share of long-term loans was 79.8% in 2022), in accordance with the dynamic trend for previous years [26] . The share of problem loans (NPL – Non-Performing Loans) is indicated based on Central Bank and Spot.uz information [27] [19] .

be seen from Table 1 above , while in 2018–2019 the total loan portfolio of banks expanded sharply (annual growth of ~50%), growth slowed down starting in 2020. In 2021, total loans almost did not grow (some sources even observed a downward trend), and in 2022 the portfolio volume stabilized around (390 trillion soums). It is clear that the share of short-term loans has been decreasing year by year. This may be due, on the one hand, to the increase in long-term lending under mortgage programs introduced in 2019 (for example, the volume of mortgage loans reached 9.8 trillion soums in 2021, which is only a 7% increase compared to 2020, but constitutes a large share in absolute terms) [28] and an increase in long-term loans for infrastructure projects. On the other hand, it is also possible that some of the short-term loans

have had their terms extended or refinanced - as a result, their category in the statistics changes to "long-term".

Analysis of short-term loan types. Short-term loans include various forms of borrowing. The most common are consumer loans, which are used by the population to purchase goods such as household appliances, electronics, and furniture on installment payments, as well as to pay for various services (for example, education, medicine). In recent years, it is the consumer loan portfolio that has expanded sharply in Uzbekistan - in 2021, the volume of retail loans allocated to individuals amounted to 40.5 trillion soums, an increase of 42% compared to 2020 [29]. Behind this growth lies the high demand for loans from the population and the active penetration of the retail segment by banks. Moody's agency noted in its Commentary that the most rapid growth in retail loans among the CIS countries in 2021–2023 was observed in Uzbekistan and Kazakhstan - in Uzbekistan, retail loans increased by 171% over three years [30]. As a result, the importance of consumer loans in the portfolio of banks is increasing, and the associated risks are also increasing. In particular, by the end of 2023, the share of unsecured consumer loans in the total loans of Uzbek banks amounted to 6%, but it is noted that there is a risk of increasing arrears on them [31].

Overdrafts are also a form of short-term credit, which is formed in the form of a negative balance (minus) when the customer's deposit account is insufficient to meet the demand. From an accounting point of view, an overdraft is considered a transaction that is essentially a loan and is reflected as a debt in the bank account [32] [33]. Bank income on overdrafts is usually calculated in the form of a higher interest rate or commission - for example, some banks set daily or monthly additional fees for using an overdraft. In the experience of Uzbekistan, overdrafts are mainly provided to employees on salary cards as part of salary projects (a limit is set for a certain part of the salary). Overdrafts are short-term (usually up to 30 days), and if not closed on time, they are recorded as overdue loans and appropriate penalties and fines are calculated. The accounting of overdraft operations is reflected in the bank's accounts tracking the negative balance of customer accounts in the 202XX series and in the accounts of credit debt on the asset side of the balance sheet [34] [35]. From the point of view of internal audit, overdraft risk is the risk that limits are set inappropriately for the client's income and, as a result, are not covered. Therefore, banks' credit policies stipulate that overdrafts are provided only to reliable and salary-based clients, usually in an amount not exceeding one month's salary.

Credit lines are also a popular form of short-term lending, according to which the bank opens a certain limit for the client to use in the future. Loans within the credit line are taken out by the client when and how much they need, and interest is paid on the used part. For example, within the framework of a **revolving credit line** opened for a period of one year, small businesses can borrow, repay, and refinance several times. Such a mechanism is a convenient financial instrument for enterprises with a constant need for working capital. In the account, each allocated tranche under the credit line is reflected in the debt as a separate short-term loan. In banking practice, the volume of lending through open credit lines has also increased in recent years. In particular, in 2019, it was noted that commercial banks allocated loans in the amount of 2.1 billion US dollars (mainly for trade and small business projects) from foreign credit lines [36] [37]. Accounting entries for credit lines are made in the usual way when a loan is granted: "Debit - loan accounts, Credit - customer account or cash from the cash desk" [38] [39].

for each of the above-mentioned short-term loan types differ. Consumer loans are generally the segment that generates the highest interest income for banks, but also the highest risk. Currently, the average annual interest rate on consumer loans in the national currency to individuals in Uzbekistan is around 24% (as of early 2025) [40]. For short-term loans to businesses, the rates

are lower, averaging 20–22% [41] [42] . For short-term loans in foreign currency, the interest rates are 10–11% [43] . The interest rate policy is determined taking into account the risks associated with the type of loan and the key rate of the Central Bank. In recent years, against the backdrop of the Central Bank's relatively stable key rate (at 14%) and declining inflation, banks have tended to reduce lending rates . [40] [21] For example, the average interest rate on loans to individuals decreased from 23–24% in 2022 to 21–22% by the end of 2023. However, rates remain high in the consumer credit segment, which is characterized by a higher risk level.

Accounting practices and accounting records

use a chart of accounts approved by the Central Bank to record credit transactions . [5] [6] In accordance with this chart, accounting entries related to credit allocation are made as follows:

- **When a loan is granted** : when a loan is made to a borrower, **the Debit** is the appropriate credit (loan) account – for example, 12500 (“Short-term loans to individuals”) if the loan is made to an individual – and **the Credit** is 10301 (“Funds to be withdrawn to nostro account”, if the funds are transferred to another bank) or 2020X (“Client's demand deposit account”, if the loan is transferred to the borrower's own account) or 10101 (“Revolving cash”, if the loan is issued in cash) depending on the source of the funds [38] [39] . This entry indicates that the loan appears as a liability on the balance sheet asset and that the appropriate amount is issued to the client at that time.
- **Interest calculation and recognition** : interest income accrued on loans is recognized in separate accounts every month (or at other intervals). According to the plan, accrued interest is recorded as an asset in account 16309 (“Accrued interest to be received on loans”) [44] . At the same time, an amount equal to this interest is credited to income accounts (for example, 45201 – “Interest income on loans to individuals ”). If the interest payment is overdue (more than 90 days late), then the accrued interest is adjusted and its recognition as income ceases - for this purpose, the practice of writing off the interest account from the balance sheet through accounts such as 16399 (“Unpaid interest (counter-asset)”) is used [45] [46] .
- **Provisioning** : As a result of the assessment of the quality of the loan portfolio, reserves are formed to cover possible losses. In accounting, this operation is formalized by transferring **Debit** 56802 (“Assessment of possible losses – Loans” – these are expense accounts) and **Credit** XXX99 (the reserve account of the relevant loan type, for example 12599 – “Provision for loans to individuals”) [47] . This transaction increases the bank's expenses, and on the balance sheet, a reserve appears in the contra-asset account for the loan – that is, the book value (net) of the loan decreases. If a reserve surplus is subsequently identified (i.e., the debtor's condition improves or the loan is closed and the reserve is no longer used), the reserve is reduced through **Debit** XXX99, **Credit** 56802 (if there is a reserve surplus for the current year) or 45921/45924 (the "Previous Year Reserve Restoration" accounts) [48] [49] .
- **When the loan is repaid** : when the debtor repays the principal, **Debit** 2020X (debtor's account) and **Credit** are transferred to the corresponding loan accounts [50] . In this case, the loan debt is reduced from the balance. If the loan is closed by the guarantor, then depending on the source of the money, the guarantor's account may be debited instead of the client, or the Nostro account may be debited if it comes from another bank [51] [52] .
- **Past due loans** : If payments on a loan are not made on time, the bank classifies it as past due (NPL). In accounting, this process is reflected by transferring the loan balance from the original loan account to **the past due loan** accounts (for example, to account 12505 - “Past due

loans to individuals”). This indicates that the quality of the loan has decreased and the reserve ratio allocated to it is increased. If the loan is restructured (for example, the repayment schedule is extended or a grace period is granted), then the debt is transferred to accounts such as 12509 (“Revised short-term loans”) [53] [54] . Such reclassifications are an important signal for internal audit and external control bodies to monitor the condition of loans.

indicators affecting the bank's balance sheet . The quality and risks of the bank's assets are mainly expressed through the loan portfolio. The above accounting entries create the following reflections in the bank's financial statements: in the balance sheet, loan balances (net of provisions for losses) are shown under the item **"Loans and receivables"** ; in the **"Income"** report, interest income is reflected; provisions for possible losses are reflected in the **"Expenses"** section or in a separate item.

Internal audit processes and identified issues

where the bank's internal audit should regularly review . Because it is in this area that risks (non-repayment of loans, incorrect documentation, fraud, etc.) are high and can affect the bank's financial stability. Internal audit reviews usually cover the following key issues:

- **Loan documentation and approval process** : Internal auditors review the loan documentation package during each inspection – from the application to the loan agreement, collateral agreement, letter of guarantee, etc. They check whether all documents are available and properly executed. Examples of frequently identified deficiencies include: incomplete documentation on assessing the borrower's solvency, defects in the minutes of the loan committee's decision, overestimated collateral value, etc. In banking practice, sometimes deficiencies in documentation can be made in order to urgently “fulfill the plan” – for example, some loans under the state program **“Every Family is an Entrepreneur”** were allocated to non-performing companies, and poor monitoring was identified by internal audits and the Central Bank inspection [22] [55] . Such situations lead to the purposeless spending and embezzlement of loan funds , as a result of which the repayment of loans is not ensured. Internal audit should identify such shortcomings early and take steps to eliminate them .
- **Loan classification and provisions** : Auditors verify that loans are classified correctly and that the necessary provisions are made. For example, under current regulations, loans that are more than 90 days past due are classified as “doubtful” or “bad” and are subject to a 100% provision. Internal audits confirm that such accounting changes are made in a timely and correct manner. In practice, in some cases, bank departments may try to leave a loan in the “good” category without reclassifying it, even though it is past due – this is done in order to make the statistical indicators look “good”. Internal audits **can reveal such situations** and needs to be corrected. According to the latest data, in 2021 the share of problem loans in the banking system of Uzbekistan increased sharply to 5.2 % [27] , and in 2022 it decreased again to 3.6% [19] . On the one hand, this indicates an improvement in the situation of debtors, and on the other hand, it also indicates that banks aggressively classified overdue loans in 2021 and allocated the necessary reserves. The internal audit observes that timely measures were taken during the sharp increase in 2021, and during the decrease in 2022, losses were covered by reserves and the portfolio was strengthened.
- **Interest and income calculation** : Interest on short-term loans is usually calculated monthly and paid by the client every month (or quarter). Internal auditors check that interest is calculated correctly , compared with client payments, and that penalties for late interest are

calculated correctly. Calculations can be particularly complex for loans with grace periods and subsidized interest rates - for example, some loans under government programs require the government to cover part of the interest. In such cases, the bank must first calculate the full interest and then keep a separate account for the compensation part. Internal audit also monitors that such transactions are correctly reflected and that compensation funds from the state budget or funds are fully received.

- **Credit monitoring and recovery status** : Internal audit assesses not only the accounting records, but also the actual use and recovery of loans. The audit process focuses on the implementation of the procedure for dealing with non-repayable customers – for example, whether warning letters were sent to the customer when the delay began, what collection measures were taken, whether a lawsuit was filed, etc. Also, the status of collateral (for example, whether it was insured, whether the value of the collateral has not decreased) is checked. Internal audit reports often criticize the insufficient level of credit monitoring [56] [57] . For example, in the case of loans to inactive enterprises in the Khorezm region mentioned above, there is a case where bank branches neglected monitoring, which resulted in the ineffectiveness of loans [22] . Such shortcomings are highlighted in the internal audit conclusions, and the responsible employees are given instructions to take disciplinary action and improve processes.

- **Fraud and employee abuse** : Unfortunately, there are also risks of corruption and fraud in the lending process. In some cases, internal audit audits reveal cases of embezzlement of loan funds by the bank's own employees. According to the Central Bank's report for 2021, 354 billion soums of loan funds intended for social programs were spent for no reason, and **20 billion soums were directly** misappropriated by bank employees [56] [58] . Such cases are often revealed in joint audits conducted by internal audit and the Central Bank Inspectorate. Drawing conclusions from this, internal audit recommends strengthening measures to prevent corruption risks in the banking system. In particular, recommendations may be made such as making decisions on loan allocation collegially (through a committee), adhering to the "four eyes principle", and not involving employees in forced bargaining (fulfilling the plan for a quota).

shows what shortcomings and risks are identified in banks' short-term loans as a result of internal audits. On the positive side, banks have managed to keep the share of problem loans under control in recent years - although **the** NPL share, which was 2.1% in 2020, increased to 5.2% in 2021 due to the pandemic [27] , it was subsequently reduced to 3.6% in 2022 due to the measures taken (debt restructuring, incentives to improve the situation of debtors) [19] . This indicator is also a satisfactory level by international standards (in many developing countries it is above 5%). Thus, as a result of the recommendations of internal audits and supervisory authorities, the portfolio of banks in 2022 became relatively healthy. However, it is noted that as the pace of retail lending continues to accelerate, risks may also increase [59] . Moody's analysis predicts that arrears in the retail segment will increase in Uzbekistan over the next 1–1.5 years due to consumer debt growing much faster than income growth . [60] The task of internal audit is to monitor compliance with lending policies in this risky segment, identify branches and employees who are taking excessive risks , and take action.

Conclusion

At the end of the study, the following conclusions and suggestions can be made:

1. **The share of short-term loans is decreasing, and portfolio diversification is increasing.** In 2018–2022, the share of short-term loans in the total loan portfolio of commercial

banks in Uzbekistan decreased from 50% to 20% [25] [26] . This indicates that banks are paying more attention to long-term lending (mortgages, investment projects) . However, the volume of short-term loans in absolute terms continues to grow (especially in the consumer and microloans segment). Therefore, their accounting and auditing remain relevant. The liquidity and profitability of bank assets largely depend on cash flows from short-term loans. It is proposed that banks widely use **ALM (Asset-Liability Management) tools** in asset planning to maintain the balance of short-term and long-term loans at an optimal level - that is, the balance of financing short-term loans from short-term resources (deposits) and long-term loans from stable sources (capital, long-term deposits or bonds) should be constantly monitored.

2. **Accounting continues to adapt to international standards. The current national chart of accounts** allows for accurate and detailed accounting of loans. For example, the fact that loans to individuals and their reserves are separated into separate accounts, those to state-owned enterprises are separated, those in foreign currency are separated, etc., etc., simplifies accounting analysis [61] [62] . In the future, while maintaining this level of detail, it is necessary to automate the calculation of reserves in accordance with **the ECL (Expected Credit Loss) model**. Internal audit plays an important role in this process - it should test the correct implementation of new accounting policies and models. As a suggestion, it is recommended that banks also involve internal audit staff in the implementation of credit risk models (for example, PD, LGD indicators) and provide them with appropriate training.

3. **The internal audit system is being improved, but there are weaknesses.** The internal audit regulation adopted in 2021 provided banks with a roadmap for implementing risk-based auditing [1] . Many banks have established an Audit Committee under the Supervisory Board, and the staff of internal audit services is being expanded. As a result, there are some positive results - for example, a decrease in the share of problem loans in 2022 and the disclosure of a number of violations [63] [10] . However, literature and analysis show that internal audit still does not fully cover all risks. In particular, there were cases of weak credit monitoring in some branches, corruption in lending was overlooked by internal audit or detected late [56] [58] . Therefore, it is necessary to further strengthen internal audit processes: introduce the practice of **surprise audits** , especially frequent inspections of branches with high-risk (retail) loan portfolios; integrate internal audit with **IT audit - for example, establish indicators that allow real-time monitoring of credit operations. In addition, control over the implementation of internal audit conclusions should be strengthened, that is,** it is advisable to introduce a system in which those responsible for the implementation of audit recommendations report.

4. **In the lending process, internal control should be strengthened as the “third line of defense.”** According to the bank’s risk management concept , business departments are the first line, risk control departments are the second, and internal audit is the third line of defense. In fast and large-scale operations such as short-term loans, errors and shortcomings can be missed even in the first and second lines of control. Internal audit, as an independent evaluator, identifies them. In this regard, banks should take internal audit conclusions seriously and constantly improve their credit policy. Scientific research and the experience of developed banks show that banks that have systematically worked with debtors, modeled credit risk, and given a strong independent status to their internal audit have a low level of problem loans and high profitability. Therefore, commercial banks of Uzbekistan should also improve their internal control system in this way when expanding short-term lending.

In conclusion, accounting and internal audit of short-term credit operations serve as a mirror of the financial condition and reliability of the bank. In recent years, significant changes have been observed in this area: the volume of loans has increased, the structure has shifted towards long-

term, the share of problem loans first increased and then decreased. In such conditions, banks should carefully conduct their accounting policies, correctly reflect the life cycle of each short-term loan. Internal audit, as an “independent controller”, should check each stage, expose errors and abuses, and propose measures to prevent them. The results of the study show that the following are important for improving the accounting and internal audit system of short-term loans in commercial banks of Uzbekistan: improving the quality of credit documentation and monitoring through the introduction of modern information systems; regular training of internal auditors in financial analysis and IT skills; partially involving credit department employees in audit processes (for example, through the principle of mutual verification); and finally, strengthening the practice of promptly making management decisions based on internal audit conclusions. These measures will serve to better manage risks associated with short-term loans in banks, provide high-quality and safe services to customers, and ensure the overall stability of the banking system.

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