

# The Advantages Of Simplified Accounting Methods In Small Business And Private Entrepreneurship

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**Abstract:** Small businesses and private entrepreneurship represent crucial pillars of economic growth, job creation, and innovation. However, these entities often face challenges in meeting complex financial reporting standards designed for larger corporations. Simplified accounting methods provide a practical alternative by reducing costs, saving time, ensuring regulatory compliance, and encouraging entrepreneurial activity. This article explores the advantages of simplified accounting through both theoretical perspectives and international practices, including IFRS for SMEs, the European Union's Accounting Directive, and simplified tax regimes in Russia, Uzbekistan, and Kazakhstan. By comparing different approaches, the study highlights how simplified systems promote formalization, support business sustainability, and contribute to inclusive economic development. While limitations exist, particularly in relation to financial depth and investment readiness, the evidence strongly suggests that simplified accounting is an essential tool for empowering small enterprises and fostering long-term economic resilience.

**Keywords:** Simplified accounting, small business, private entrepreneurship, IFRS for SMEs, EU Accounting Directive, simplified taxation, financial compliance, economic growth, entrepreneurship policy, post-Soviet economies.

## INTRODUCTION:

Small businesses and private entrepreneurship are widely recognized as engines of economic development, innovation, and job creation. They account for a significant share of GDP and employment in both developed and developing economies. Nevertheless, entrepreneurs often struggle with financial reporting obligations because traditional accounting standards are too complex for smaller entities. To address this challenge, many countries and international organizations have introduced simplified accounting methods tailored to the needs of small and medium-sized enterprises (SMEs).

These systems aim to strike a balance: they ensure accountability and compliance while reducing the administrative and financial burden on entrepreneurs. Importantly, they encourage more enterprises to operate formally rather than in the informal economy, which has broader implications for economic development and governance.

The International Financial Reporting Standards

(IFRS) for SMEs, introduced by the International Accounting Standards Board (IASB), provide a global framework specifically designed for small and medium-sized entities. Unlike full IFRS, which requires detailed disclosures and complex reporting, IFRS for SMEs reduces requirements by almost 90%. For example, it eliminates topics irrelevant to small entities (such as earnings per share or interim reporting) and simplifies asset valuation rules [1].

This global standard has been adopted or permitted in over 80 countries, including the United Kingdom, Brazil, and South Africa. Its main advantage is comparability across borders, which is increasingly important as small businesses participate in international trade and seek foreign investment.

Within the European Union, small businesses benefit from the Accounting Directive (2013/34/EU), which allows micro and small entities to prepare highly simplified financial statements. For example, micro-companies are permitted to submit only a balance sheet and a limited set of notes, without a full profit-

and-loss account. This reduction in reporting obligations was designed to save European SMEs billions of euros annually, thereby improving competitiveness [5, 103-122].

Moreover, the EU emphasizes proportionality: the smaller the business, the simpler the reporting requirements. This approach highlights the principle that accounting rules should not impose unnecessary burdens on entrepreneurs.

In modern economies, simplified accounting and taxation systems have been central to entrepreneurship policy.

- **Russia:** The “Simplified Taxation System” (STS) allows small businesses to choose between paying a percentage of revenue (6%) or revenue minus expenses (15%), while maintaining simplified bookkeeping. This has been especially important for encouraging small retail, services, and technology startups [7].
- **Uzbekistan:** The government actively supports entrepreneurship through simplified tax and accounting regimes. Small enterprises may use a single tax payment system, where accounting is limited to income and expense records. Additionally, Uzbekistan has made efforts to align with international standards while maintaining accessible frameworks for local entrepreneurs [3, 340-349].
- **Kazakhstan:** The “Patent and Simplified Declaration” methods allow micro-businesses to pay fixed or minimal tax amounts with minimal accounting records, thereby encouraging informal

traders to register formally [4, 266-277].

These examples illustrate how different countries balance global standards with local realities to encourage entrepreneurship.

As seen in the EU and Russia, simplified systems reduce compliance costs substantially. This is especially beneficial for micro-businesses with limited resources. By eliminating unnecessary reporting, entrepreneurs can save both money and time.

In Uzbekistan and Kazakhstan, simplified accounting has been a tool for formalizing the informal sector, which traditionally represents a large part of the economy. By lowering entry barriers, entrepreneurs are more willing to register and comply with regulations.

IFRS for SMEs, on the other hand, plays a crucial role for businesses seeking cross-border opportunities. By using a globally recognized standard, SMEs gain credibility with international investors, banks, and partners. Thus, simplified accounting is not only about reducing burdens but also about opening new opportunities.

Across all regions, simplified systems stimulate entrepreneurship by removing bureaucratic obstacles. The experience of the EU and post-Soviet states demonstrates that when accounting becomes less of a burden, more individuals are willing to start businesses. This has a multiplier effect on employment and innovation.

To summarize the differences and international practices, the following table can be presented:

Country/Region	Simplified System	Key Features	Impact on SMEs
<b>Global (IFRS for SMEs)</b>	IFRS for SMEs	Reduced disclosures, simplified asset valuation, elimination of complex topics	Facilitates global comparability & investment
<b>EU</b>	EU Accounting Directive (2013/34/EU)	Micro-companies file only balance sheet + notes	Saves compliance costs, encourages startups
<b>Russia</b>	Simplified Taxation System (STS)	Tax based on revenue (6%) or revenue minus expenses (15%), minimal bookkeeping	Strong support for small services & retail
<b>Uzbekistan</b>	Single tax payment system	Record-keeping limited to income–expense registers	Promotes formalization and compliance

<b>Kazakhstan</b>	Patent and Simplified Declaration	Fixed or minimal tax amounts, simplified record- keeping	Encourages micro-entrepreneurship
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Although the advantages are significant, international experience shows some challenges. IFRS for SMEs, for instance, may still be too complex for the smallest businesses in developing countries. In Russia, critics argue that the simplified tax system sometimes limits growth, as firms must transition to the general tax regime once they exceed certain thresholds. Similarly, in Uzbekistan and Kazakhstan, simplified accounting may reduce the quality of financial information, making it harder to attract large investors. Nonetheless, these limitations are manageable if policymakers ensure that simplified systems are flexible and accompanied by training, financial literacy programs, and gradual transitions to more advanced reporting as businesses grow.

## CONCLUSION

In conclusion, simplified accounting methods are not only advantageous for small businesses and private entrepreneurs but also serve as powerful tools of economic policy. International experiences—from IFRS for SMEs to EU directives and post-Soviet tax regimes—demonstrate how simplified systems can reduce costs, encourage compliance, promote formalization, and stimulate entrepreneurship. While challenges remain, the evidence suggests that simplified accounting provides a foundation for inclusive economic growth and innovation.

As global economies continue to prioritize entrepreneurship, the lessons from these diverse practices show that accounting should evolve with the scale and nature of businesses. Simplification, when carefully designed, is not a compromise on transparency but rather an enabler of sustainable development.

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