



## APPLICATION OF FOREIGN EXPERIENCE IN THE ORGANIZATION OF MANAGEMENT COST ACCOUNTING

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<b>Received:</b> 8 <sup>th</sup> May 2023 <b>Accepted:</b> 11 <sup>th</sup> June 2023 <b>Published:</b> 11 <sup>th</sup> July 2023	The processes of transition to international financial reporting standards are highlighted..

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Entering the international market in the period of globalization and erasure of state borders enables the Republic of Uzbekistan to introduce into this process, in which it is necessary to improve the procedures for generating information that are necessary when making management decisions by a wide range of users. To attract foreign investors, it is necessary to change two main indicators: reducing costs and increasing profits, which is the basis for attracting foreign capital.

Accounting is the main "language of business", with the help of which information about the company's activities for a certain period of time is generated. International standardization, that is, accounting based on International Financial Reporting Standards (IFRS), has become a recent requirement.

The first steps for the transition to international standardization were taken in 1994 with the adoption of the State Program for the Transition to International Accounting Practices and an interdepartmental commission was established to implement this program. Since 2015, the Republic of Uzbekistan has been reforming the domestic accounting and reporting system in accordance with IFRS. The first step in the transition to IFRS was Presidential Decree "On Measures to Introduce Modern Methods of Corporate Governance in Joint-Stock Companies" (dated 24.04.2015 No. UP-4720),<sup>1</sup> which stipulates that during 2015-2018 all joint-stock companies will proceed to the publication of annual financial statements and its external audit in accordance with International Standards on Auditing (ISA) and International Financial Reporting Standards (IFRS). In the process of transition to market relations, an important factor is the possibility of modifying, adapting general principles, methods to the specific characteristics of economic units, i.e. each enterprise can "for itself" develop a methodology for generating

the necessary information, including for managing costs and financial results. It is necessary to have common approaches on the basis of which it is possible to expand, clarify and supplement this approach, taking into account individual characteristics of the enterprise. Based on this, on February 24, 2020, the President of the Republic of Uzbekistan signed a resolution "On additional measures for the transition to international financial reporting standards" No. [PP-4611](#), which opens a new page in the history of the transition to IFRS in the Republic of Uzbekistan.

In the process of carrying out economic activity, deviations from the work planned for performance constantly occur, for example, due to violation of plans for the supply of raw materials and materials, insolvency of buyers, etc. And also how to correctly classify costs in accounting, we can take into account from international financial reporting standards. At the beginning of the study, we will give definitions of costs, costs and expenses. The concepts of "costs" and "costs" are often used as synonyms, and the term "costs" is more characteristic of economic theory, and "costs" is more characteristic of accounting and management.

Costs are the costs of living and embodied labor for the production and sale of products, works, services. In a simplified form, we can say that expenses are, in fact, the total cost of products sold. The concept of costs is narrower than the concept of costs.<sup>2</sup>

The cost of production is the most important indicator of economic efficiency, the results of the use of all production resources. The amount of profit and the level of profitability, the financial condition of the enterprise and its solvency depend on the level of the cost of products and services.<sup>3</sup> The search for reserves to reduce it helps many enterprises to increase their

<sup>1</sup> <https://nrm.uz>

<sup>2</sup> Erizhev M.K. Comparative analysis of the main approaches to cost management of a modern company // Financial and accounting consultations, 2015. - № 10. – P. 98

<sup>3</sup> T.Sh. Shagiyasov, Z.A. Sagdillaeva, I.F. Urmanbekova "Economic analysis" - Textbook, Tashkent 2017 - P 119



competitiveness, avoid bankruptcy and survive in a market economy to survive in a market economy

Economy.

**Figure 1. Representation of cost in accounting and management accounting<sup>4</sup>**

<b>COST</b> <b>The value of the cost</b> - reflects the costs of the enterprise (in monetary terms) for the production and sale of a unit of production, and is one of the qualitative characteristics of production efficiency. <b>Costing</b> – reflects the calculation of costs by item or item	
<b>ACCOUNTING COST</b> Calculated indicator per unit of production for the formation of cost for tax purposes <b>Task:</b> Write off costs	<b>MANAGEMENT COST</b> Estimated unit cost indicator; index Competitiveness. A tool to improve the efficiency of the company. <b>Task:</b> Plan and optimize costs; Position products

The basis of the cost study system is classification, the use of which allows you to group separate data and present them in an easy-to-understand form - Figure. Depending on the stage of operation of the enterprise. The tasks of the functioning of the enterprise are

achieved through general management, financial activities, as well as control and regulation.<sup>5</sup> At each stage, various cost indicators are relevant, characterizing the problems and achievements of the enterprise - table.

Depending on the stage of operation of the enterprise	Cost elements in the general management phase	Control and regulation as a way to evaluate effectiveness Enterprise
Objectives of Enterprise Cost Classification		

**Figure 2. Objectives of Enterprise Cost Classification<sup>6</sup>**

Elements of costs in the general management phase. Since the task of cost accounting is to identify profitable ways of development and assess the current state, there are several classification groups.

In connection with the transition to international financial reporting standards from 2021, the study of the grouping of costs under IFRS is becoming relevant for domestic companies. The classification of costs is found in the following IFRS:

1. "Conceptual Foundations of Financial Reporting", which presents the concepts of "expenses" and "income".

According to paragraph 4.25 (b) of the IFRS Conceptual Framework, "expenses represent a decrease in economic benefits during the reporting period in the form of disposal or depletion of assets or

an increase in liabilities that result in a decrease in equity that is not related to its distribution among capital participants."

The definition of expenses includes the concept of losses. Losses may arise as a result of an increase in foreign exchange rates in respect of loans received in this currency. The decrease in the value of assets due to their impairment is also classified as a loss.

2. IAS 1 Presentation of Financial Statements.

3. In accordance with paragraph 99 of IAS 1, "an entity shall provide an analysis of the expenses recognised in profit or loss using a classification based either on the nature of the costs or on their function within the entity, depending on which approach provides reliable and more relevant information."

<sup>4</sup> Compiled by the author

<sup>5</sup> Sorvina O.V. Improving the efficiency of production cost management based on improving the process of providing an

enterprise with material resources // International Accounting. 2013. № 35. P. 37

<sup>6</sup> Compiled by the author



4. The choice of method depends on both historical and industry factors and the nature of the company's activities. Both methods make it possible to see those expenses that can be directly or indirectly affected by changes in the level of sales or production of the company. As different companies may prefer

different presentation methods, IAS 1 requires a company to choose a method of expense classification that is more appropriate and reliable.

5. An example of classification using the expense function method is presented in Table 21.

**Table 21.**

**6. Expense function method<sup>7</sup>**

<b>Expense function method</b>	<b>e.e.</b>
Earnings	1,200
Cost of sales	(690)
Gross profit margin	510
Other income	200
Commercial expenses	(30)
Administrative expenses	(400)
Other expenses	(215)
Profit before tax	65

7. However, due to the fact that information about the nature of the company's expenses is useful for forecasting future cash outflows, additional disclosure of the nature of expenses is required when choosing a classification based on the cost of sales.

The concept of costs is also widely addressed in IFRS 2 Inventories. As you can see, the general principle of asset valuation using the "price plus direct necessary costs" method is applied here.

Acquisition costs include the price paid to inventory suppliers, non-refundable import duties and other taxes, and the cost of transporting inventory. Processing costs include all costs directly related to the production process, i.e.:

- Direct costs (e.g., remuneration of the production team);
- Fixed overhead production costs;
- Variable overhead production costs.

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<sup>7</sup> Compiled by the author