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DEVELOPMENT OF THE INTERNAL CONTROL SYSTEM IN SPECIALIZED SEED-PRODUCING FARMS

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Abstract:

This article examines the development of an effective internal control system in specialised seed-producing farms. It analyses the issues of ensuring the transparency and accuracy of accounting information related to the cost formation of seed production and storage. The study proposes improvements to existing documentation and the introduction of new forms that ensure compliance with international accounting standards, thereby enhancing internal control and management efficiency.

Keywords: Seeds, accounting, seed production, documentation, internal control.

INTRODUCTION The modernisation of agriculture and the diversification of production in the Republic of Uzbekistan have made the sustainable development of farms specialising in cereal production, particularly in seed farming, a strategic priority. Within this framework, the effective organisation of information support systems, internal control mechanisms, and analytical tools plays a pivotal role in improving management efficiency and ensuring economic sustainability.

According to numerous monographic studies, one of the most critical aspects of internal control in seed-producing farms is the timely and reliable documentation of production and storage **costs** of seed grains in primary accounting records. The integrity and transparency of this information form the basis for calculating the cost of seed production accurately, monitoring resource use, and assessing production efficiency.

Empirical studies conducted in seed-producing farms of Tashkent region indicate that, despite the wide range of primary accounting documents related to production costs, there remains a pressing need to enhance their structure. This can be achieved by developing new standardised forms and by introducing additional requisites to existing documents in order to improve the accuracy and completeness of internal control procedures.

For instance, improvements are recommended in the current forms of primary documentation such as:

- "Act on the Use of Seeds and Planting Materials" (Form Agro-17) and
- "Act on the Use of Mineral, Organic and Bacteriological Fertilisers, Pesticides and Herbicides" (Form Agro-18)

These should include additional details such as: the exact names of production inputs (fertilisers, herbicides, etc.), the seed variety, field number, crop name, the responsible production unit (plot or team), and both the normative and actual consumption rates per hectare and for the total cultivated area.

Moreover, it is essential to improve primary documents used for recording harvested cereal products. Research reveals that several forms often contain duplicate information, which leads to unnecessary repetition in accounting work. To address this issue, it is proposed to adopt a unified document — the *"Register of Agricultural Product Receipts" (Form Agro-20)* — which would consolidate records of all types of cereal products, including their quantity, quality, and cost. This document is recommended for use at temporary storage locations, such as threshing floors and granaries.

Further, in the preliminary accounting of seed grain arriving at threshing floors, the existing documents should include an indicator of *grain contamination with straw and debris*. If such records are maintained at the elevator, this indicator must be reflected, since the grain class is determined precisely based on this quality assessment. Additionally, it is advisable to combine the primary documents related to drying and initial processing into a single form titled *"Act of Sorting and Drying of Crop Production" (Form Agro-27)*. This document should specify the name of the processed product, its natural weight, grade, contamination level, moisture content, and the resulting product types after processing, along with their quality, moisture, volume, and production losses.

Finally, it is recommended to create a new document — *"Act on Accounting and Control of Grain Product Preservation"* — which will serve to record and monitor

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both the quantity and quality of cereal products during storage, based on physical inspections, laboratory analyses, and organoleptic assessments. This will ensure comprehensive internal control at the storage stage and help identify losses, causes, and responsible personnel.

Methodology

The research methodology is based on a comprehensive approach that integrates documentary analysis, comparative evaluation, and practical observation of accounting processes in seed-producing farms of Tashkent region. The aim was to identify weaknesses in the existing internal control system, particularly in the documentation of production and storage costs, and to propose practical measures for their improvement.

The methodological framework includes the following stages of internal control development and implementation:

1. Examination of accounting organisation – A detailed analysis was conducted of the synthetic and analytical accounting systems applied in seed cultivation and storage. This stage focused on how costs are recorded, classified, and reflected in financial and management reporting.
2. Verification of documentation accuracy – The study evaluated the correctness and validity of primary documents that record production operations, checking their compliance with established norms and the legal framework of the Republic of Uzbekistan.
3. Inventory and verification of key production elements – The analysis involved assessing the results of inventory counts, labour cost accounting, and material consumption against technological norms, as well as verifying work-in-progress in seed production.
4. Assessment of fixed assets and depreciation accounting – The methodology included checking the accuracy of accounting for depreciation and repair costs of fixed assets used in seed cultivation and storage processes.
5. Verification of expenditure inclusion – The study assessed the appropriateness of cost inclusion for seed production and storage in the calculation of total production expenses.
6. Analysis of budget fund utilisation – Particular attention was paid to the targeted use of budgetary resources allocated for the purchase of seed material, fuel, lubricants, fertilisers, and plant protection products.
7. Calculation and cost correlation checks – Verification was carried out on the accuracy of cost calculation and account correspondences related to seed production and storage, including reconciliation of any deviations found in cost statements.
8. Preparation of control reports – The results of internal control procedures were documented and summarised in special reports reflecting the identified deviations, irregularities, and corrective measures.
9. Factor analysis of production costs – The final methodological step involved analysing the factors influencing production costs and seed cost formation, helping to determine areas requiring further efficiency improvements.

To ensure a systematic and transparent approach, internal control was carried out in accordance with the Law of the Republic of Uzbekistan "On Accounting" (2016) and the Law "On Seed Production" (2019), as well as presidential decrees and government resolutions on agricultural development and cost regulation.

The research also relied on the practical experience of accounting specialists and internal auditors in seed-producing farms, allowing the formulation of evidence-based recommendations for improving cost accounting and internal control documentation.

RESULTS AND DISCUSSION

The conducted research revealed that the existing internal control system in specialised seed-producing farms requires significant improvement to ensure transparency, accuracy, and timeliness of accounting information related to the production and storage of seed grains.

1. Improvement of Primary Accounting Documents

The analysis of documentation practices showed that many primary forms currently used in farms contain duplicate or insufficient information, leading to inefficiency in record-keeping and control. Based on the study findings, a set of revised and newly designed primary documents was proposed (Table 1.1), aimed at strengthening internal control and enhancing the information base for management decisions.

For example:

Description of new and improved primary documents on the costs of high-quality cultivation and storage of grain[1]

Grouping symbols	**Description of recommended primary documents for use**	
	Existing document name	Newly developed

[1] Compiled by the dissertation student as a result of the study of scientific and educational-methodical sources and the practice of monographic research objects

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		Document name	Recommended new details	
Documentation for the production of seed grain				
Expense documentation	Sown seeds	***Certificate of Consumption of Seeds and Sowing Materials***	variety of seeds, planting material, field number, crop name, responsibility center (section, link); Actual and standard seed consumption per 1 ha of land and the entire area	
	organic and mineral fertilizers	***Certificate of the use of mineral, organic, and bacteriological fertilizers, pesticides, and herbicides***	types of fertilizers, name of herbicides, field number, crop name, center of responsibility (section, link); Actual and standard fertilizer consumption per 1 ha of land and the entire area	
Remuneration documents		***Tractor driver's account***	Expenses related to eliminating defects, the amount of accrued remuneration for high-quality fulfillment of the plan	
Documents for temporary and long-term storage of seed grain				
Receipt documents for grain products				Diary of receipt of agricultural products. Certificate of drying, sorting and processing of products
Documents for accounting and control of the quantity and quality of grain				Certificate of accounting and control of the safety of grain products
Documents for accepting grain from motor transport for long-term storage		***Consignment note***	time of arrival of the vehicle, invoice number, name of the supplier, vehicle number; type of crop and gross weight	
Documentation on the results of laboratory analysis				Grain seed analysis card
Documentation for unusable grain waste				Grain Waste Workletter
Internal account registers for cost accounting				
Internal production report		Report on the experimental plot	planned monthly expenses and planned expenses with a cumulative increase since the beginning of the year, actual expenses deviating from planned expenses	

To increase the efficiency of internal control, it is recommended that farms implement internal management reporting systems. These should include both actual and planned cost indicators, updated monthly and cumulatively from the beginning of the year. Comparing actual data with planned values will allow management to identify deviations, analyse their causes, and take corrective actions promptly.

An additional internal document, the *"Grain Waste Inventory Sheet"*, is suggested for recording grain waste and by-products, enabling better control of unusable residues and feed grain volumes.

Table 1.2
By grain crop seed production cycles
Objects of internal control of costs (proposal)[2]

[2] The dissertation was compiled by the dissertation student on the basis of research and empirical observations of the technology of seed grain production on monographic objects.

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Costs for the production of grain crop seeds	**Work in progress**	*Grain crop cultivation*	Autumn-winter works	Expenses for spring tillage: stubble loosening, surface tillage, autumn tillage
				Expenses for manure collection and composting: manure collection and composting
				Fertilization costs: Fertilization work
	Expenses of the reporting period		Spring work	Expenses for spring tillage: spring loosening; pre-sowing cultivation with harrowing; loading of mineral fertilizers, their transportation; loading of seeders
				Costs related to seed treatment: seed treatment, loading and transportation
			Spring-summer works	Costs of sowing operations: carrying out sowing operations simultaneously with the application of fertilizers and processing with a disc or wheel harrow
				Expenses for plant protection work: transportation of water for preparing herbicide solutions, preparation and spraying of solutions for crops.
			Grain harvesting works	Costs of harvesting work: work on threshing grain in a combine with direct straw harvesting; collection of stacks of straw, its stacking; cutting (crushing) stacks.
				Transportation and processing costs: grain transportation from combine harvester to farm; straw transportation to farm; grain cleaning; seed cleaning and sorting works.
		Storage of seeds	Drying works	Costs of ventilation and drying of grain seeds and commercial grain.
			Cleaning works	Costs of work to reduce trash pollution.
			Storage work	Costs of work related to moisture retention, processing of grain for storage.

Each production stage is associated with specific cost items, which should be verified during internal control to ensure compliance with technological norms and prevent under- or over-estimation of expenses.

4. Identified Issues and Risks

The study identified several recurring deficiencies in internal control procedures:

- Underreporting of grain weight, leading to understated yields per hectare and inflated unit costs;
- Overstatement of seed grain weight sent from storage, resulting in increased receivables;
- Unrecorded production areas and hidden yields, artificially increasing cost per hectare;
- Manipulation of drying and sorting records, distorting data on production losses and seed quality.

These irregularities not only distort cost calculations but may also lead to administrative penalties and reduced farm profitability. Therefore, implementing the proposed internal control documents and verification steps is essential for ensuring compliance and improving overall performance.

Conclusion

The results of this study demonstrate that an effective internal control system plays a crucial role in ensuring the accuracy, transparency, and reliability of cost formation in seed-producing farms. By systematically monitoring production and storage processes, farms can prevent data inconsistencies, resource misuse, and financial misstatements that negatively affect production efficiency.

The proposed improvements to primary accounting documents and the introduction of newly designed internal control forms will:

- strengthen the information base for management decisions;
- eliminate duplication and ambiguity in production records;
- enhance the timeliness and accuracy of cost data;
- support the rational use of production resources;
- ensure compliance with national accounting and agricultural legislation.

Furthermore, the integration of internal managerial reporting—reflecting both planned and actual costs—will enable farm managers to analyse deviations in real

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time, improving decision-making and financial performance.

Ultimately, the proposed recommendations create the foundation for a modernised internal control framework that meets the requirements of agricultural reforms and market diversification in Uzbekistan. This framework will not only increase the accountability and transparency of seed-producing farms but also contribute to their long-term economic sustainability and competitiveness.

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