

## STEP-BY-STEP PROCESS FOR COST ACCOUNTING PRODUCTS WITH HIGH ADDED VALUE

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<https://doi.org/10.5281/zenodo.7996777>

**Annotation:** This article describes methods for accounting for the production of value-added products. The step-by-step method in accordance with international financial reporting standards is reduced to key elements in the field of management and is covered from a scientific and practical point of view. The advantages and disadvantages of processing with a two-level system are shown.

**Key words:** Raw materials, procurement process, production process, finished product, management accounting, product costing.

The report of the President of the Republic of Uzbekistan Shavkat Mirziyoyev "Critical analysis, strict discipline and personal responsibility should become a daily norm in the activities of every leader" said the following "... we need a fundamentally new system for the development of the automotive industry, increasing the competitiveness of its products, primarily in the markets of the near and far abroad."

All this indicates the need to develop all sectors of the economy, reduce costs and production costs, increase the competitiveness of products and the level of profitability. This is due to the fact that... "With an average cost reduction of 10 percent in industries, individual products of the chemical and light industries, the automotive industry, the construction industry and a number of other industries, due to their high cost, are not competitive in foreign markets. Individual enterprises generally operate at a loss."

The transition of raw materials into finished products that are in great demand for world market indicates the need to use a 3 or 4 step accounting system. The content and significance of this system is as follows;

At the first stage, the raw materials are subjected to preliminary processing, i.e. the preparation of semi-finished products is carried out;

In the second stage, the circulation of finished materials takes place;

The third and final stage involves the manufacture of finished products.

This means that the organization of the overall production process is a path from the processing of raw materials to their transformation into finished products - a cycle that provides for the need for forecasting to determine the compliance of the spent resources with the goals and the validity of their payback.

Controlling the process of converting raw materials into finished products, organizing their accounting and reflecting in the relevant accounting sheets, requires a great deal of responsibility from the accountant. If we consider this process from a theoretical point of view, then it acts as an element of management accounting and is referred to as a method of costing products.

Accounting for raw materials, semi-finished products, work in progress and finished products, inventories are reflected in working capital. Current assets take the form of

materials at the second stage of the cycle: at the first stage, i.e. in the process of supply, the objects of labor necessary for production are acquired; one part of the objects of labor is directly replenished at the expense of the products newly created at the previous stage; at the second stage of turnover in the production process, finished products appear.

If in the first case working capital act as objects of labor, in the second case they are taken into account as labor resources. However, in both cases, the turnover is the same: passing from one form of working capital to another, at the stage of one process, a complete circuit is made.

Inventory as an economic category is characterized from a scientific, methodological and regulatory point of view in different ways. In particular, NAS No. 4 "Inventories" gives the following concept: "Inventories are tangible assets held for the purpose of further sale in the course of normal activities and in the production process, as well as used in the production process, performance of work or provision of services or for the implementation of administrative and socio-cultural functions".

Organization of the process of providing the enterprise with TMZ on the basis of the supply plan (schedule) established by the enterprise, its main indicators include:

The amount of purchased raw materials;  
acquisition period;  
types of raw materials, etc.

#### 1-table

*The supply process at the enterprise "Umidtekstil" (thousand soums)*

r/p	name of raw materials	The need for raw materials	Sources of replenishment of needs		Created contract	Replenishment of needs on the basis of a contract (%)	Raw material consumption	Implementation of the contract (%)
			domestic	external				
1	Cotton	5500	500	5000	4000	72,7	3500	87,5

When taking into account the supply process, special attention is paid to its real volumes and determining the actual cost of purchased raw materials. The accounting sheets reflect information on the volume of purchased raw materials and types of products, which controls the supply process in quantitative and price form and makes it possible to obtain information on the volumes of all types of inventory acquired by the enterprise.

In preliminary documents showing the movement of raw materials in the enterprise, only the contractual price is reflected on the basis of contracts. Transport and procurement costs are indicated in the sum of all recorded costs.

The share incoming for each type of raw material for these costs at the end of the month is determined by the calculation method, separately for each type of raw material, and then these data are summed up to the contract price.

Transport and procurement costs associated with the processing of raw materials are distributed on the basis of the material costs of the enterprise spent in the current month. To determine the coefficient of commodity-transport costs (Kttz), the following formula is used:

$$K_{TTX} = \frac{C_{TTX} + TT3}{C_M + X_{u.}},$$

Where: balance at the beginning of the reporting period  $CTT3 - TT3$ ;

$TT3$  – the amount of  $TT3$  for raw materials used during the reporting month;  $C_m$  – сальдо на начало отчетного периода по цене приобретения сырья;

$X_u$  – contractual price of raw materials purchased during the reporting month.

The amount of transport and procurement costs is determined by the following formula:

$$\sum TT3 = M_c \times K_{TT3},$$

Here:  $M_c$  – the price of raw materials used at settlement prices.

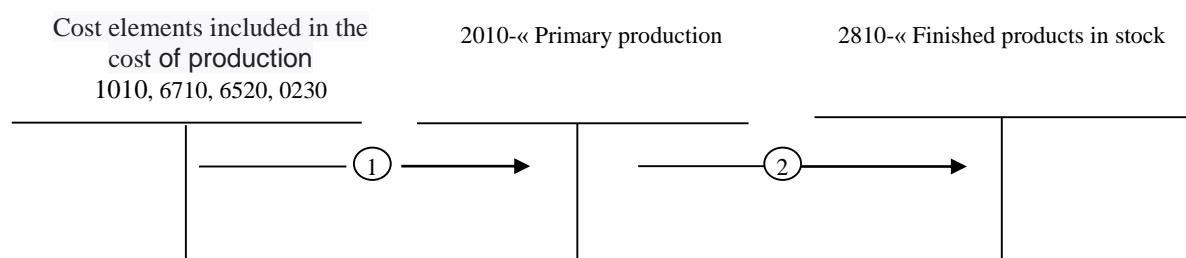
In the processing of raw materials, the indicators of the supply process accounting contribute to the possibility of control to ensure that the enterprise fulfills the supply plan. To do this, the actual purchased raw materials are compared with the planned indicator. The actual transport and procurement costs correspond to the specified standards, and are also determined according to this form.

The process of manufacturing high value-added products requires certain costs. These costs are considered as costs included in the cost of production and are divided into:

1. The cost of raw materials and materials;
2. Labor costs;
3. Deduction for social insurance;
4. Depreciation of fixed assets;
5. Other production costs.

The company also applies management costs. They consist of wages for management and maintenance personnel, include the cost of heating and lighting buildings and others, their reflection in monetary terms is value-added products.

Accounting for production costs and costing of products is considered one of the most important areas of accounting. They act as a tool in controlling the search for reserves for the production of products, cash and labor resources.

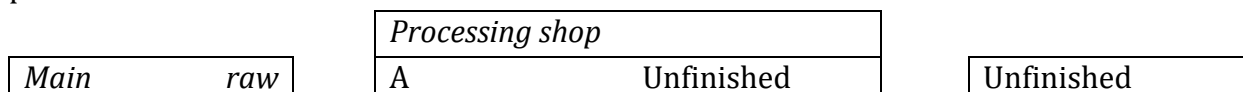


### 1--drawing.. Stages of accounting for the production process

At the enterprise, when processing raw materials, depending on the technological process, cost accounting can be carried out:

- according to the conversion method or according to the process method;
- custom method.

In the scientific works of domestic economists, the features associated with the production of products with high added value are fully disclosed. This can be seen in Figure 2, which shows the step-by-step process of costing high value-added products from a practical point of view.



<i>materials and supplies</i>	Finished products	production	production
Direct salary	B	Unfinished production	
	Finished products		
production costs overhead	C	Unfinished production	Finished products
	Finished products		

## 2-drawing. A step-by-step process for costing high value-added products

In the manufacture of finished products with high added value in cost accounting, there are two options for the method of accounting for recycling:

- accounting procedure for semi-finished products;
- non-semi-fabricated accounting procedure.

With the semi-finished method of manufacturing value-added products, each manufactured product is considered a semi-finished product until the next processing of the product or its sale to the outside. This necessitates the evaluation of calculations and the evaluation of the disposal of products according to the planned standard or actual cost of semi-finished products. With this option, the price of semi-finished products is reflected in a separate item referred to as - "Semi-finished products of own production".

In the no-semi-finished method, only processing costs are included at each stage. In this case, only the cost of finished products is calculated.

If an industrial enterprise produces products in several stages, the products obtained at each stage are sent to the warehouse as a semi-finished product. In this case, the cost of value-added finished products is determined by the following formula:

$$T = \frac{X_1}{Y_1} + \frac{X_2}{Y_2} + \dots + \frac{X_D}{T_M}$$

**Where**,  $T$  – unit of the total cost of finished products;

$X_1, X_2, \dots$  – processing costs by department;

$Y_1, Y_2, \dots$  – semi-finished products at each stage of production;

$X_D$  – per unit amount of all product costs;

$T_M$  – unit of finished product produced.

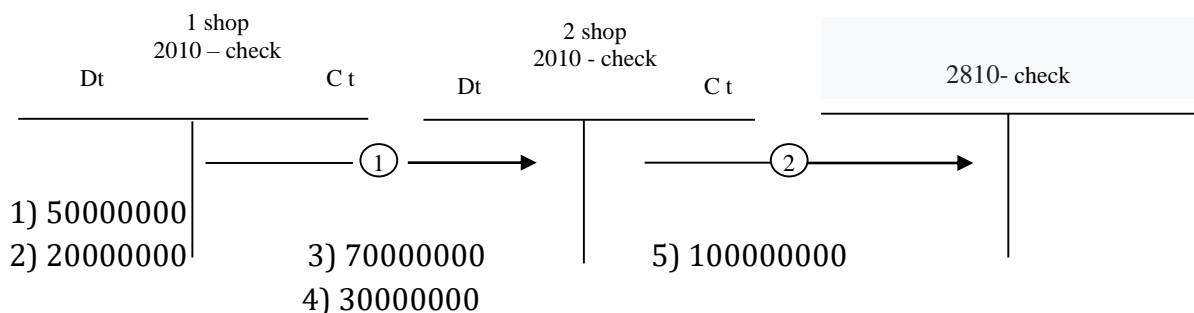
$$T = M + \frac{X_1}{Y_1} + \frac{X_2}{Y_2} + \dots + \frac{X_D}{T_M}$$

**Where**  $M$  – consumed materials in the first stage;

The acceptability of this technique lies in the fact that after each stage, the products produced in the workshop can be sold to consumers as semi-finished products.

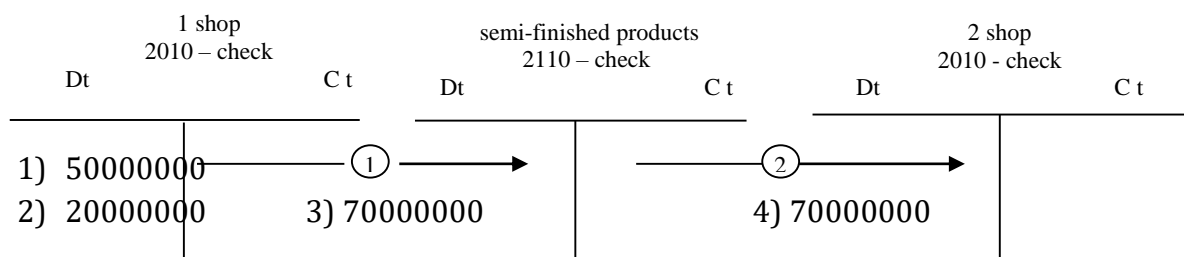
The accountant of the enterprise to account for these value-added products on the basis of the "Accounting Policy" can choose one of the methods:

The first method: accounting for semi-finished products.



In this case, at the first or other stages (before the appearance of finished products), the created products are taken into account as semi-finished products. This method is convenient because customers of semi-finished products can double the cost of finished products. However, this leads to the fact that, at the next stages, problems may arise in the issuance of wages to workers and employees.

The second method: accounting based on the use of semi-finished products.



With a phased method of manufacturing finished products at the Umidtekstil enterprise, the following general information can be obtained:

At the 1st stage, the total cost of manufactured products is 70,000,000 soums (1 piece 3500 soums);

At the 2nd stage, production costs - 30,000,000 soums (1 piece 1500 soums);

At the 3rd stage, production costs - 15,000,000 soums (1 piece 750 soums);

At the 4th stage, production costs are 10,000,000 soums (1 piece 500 soums).

In this case, the cost of a unit of finished products is 6250 soums (3500 +1500+750+500).

The method of re-processing cost accounting for a re-process, within them is carried out by costing items and by type of product. With this method, direct costs are taken into account for each type of processing, indirect costs are taken into account for the workshop, production, for the enterprise as a whole, then the recycled products accepted on the basis of distribution are distributed in proportion to the cost.

From this it follows that, in order to achieve high growth rates of exports of value-added finished products, it is necessary to switch to a phased system. This indicates the need to obtain information on the production of value-added products of raw materials, semi-finished products and other costs in the exact time frame, and also provides for the need to improve accounting based on the requirements of international standards, which in turn will lead to a doubling of GDP in the Republic of Uzbekistan .

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