



## PRODUCTION COSTS, THEIR CONTENT AND DESCRIPTION

Urmanbekova Iroda Farkhodovna

Tashkent Financial Institute, Senior Lecturer, Department of Accounting,  
Economic Analysis and Auditing Tashkent, Uzbekistan

e-mail: urmanbekovai@mail.ru, Phone number: +99890 901 34 78.

### Abstract

Article 7 of the Law of the Republic of Uzbekistan "On Accounting", adopted in the new edition of April 13, 2016, provides that objects "described as. President of the Republic of Uzbekistan Sh.M. In his book "Critical analysis, strict discipline and personal responsibility - should be the daily rule of every leader", Mirziyoyev said: "The first is the effectiveness of targeted programs that show how effective the reforms are. These include the following economic and financial indicators for the development of industry and other sectors: the state of production capacity, reduction of costs and costs, the level of localization and profitability, the unconditional increase in product competitiveness "[2] they did. It should be noted that indicators such as the state of production capacity, costs and cost, the level of localization and profitability, reflected in the accounting reports, are of great importance today. These issues are the main objects of management accounting. In order to address this priority, the President of the Republic of Uzbekistan on February 24, 2020 PQ-4611 "Additional measures for the transition to international financial reporting standards" aimed at radically improving the systematic implementation of IFRS and training in this area [3]. The purpose of this decision is to improve the investment climate for the inflow of foreign investment in the country, increase the investment attractiveness of companies, provide foreign investors with the necessary information, the content and structure of reports to the needs of information users harmonization and a number of other functions. In international practice, the accounting system consists of components such as financial accounting and management accounting. In this regard, today the science of accounting is also studied as financial accounting and management accounting. Financial accounting is basically the provision of information to external information users in the form of financial statements, while management accounting refers to the subsystem of delivering useful information to internal information users, i.e. managers, to make decisions. A management system is a subsystem that has its own subject and object, called cost accounting. So how does this subsystem relate to the concepts of cost and cost? Are costs and cost the same concept or are they different? What are the main objects of cost accounting? Such questions are of great importance for the cost accounting, which is now being formed in our country on the basis of foreign experience

The economic literature in the field uses the concepts of costs, production costs, non-production costs and cost.

The concepts of production costs and cost of production in the general economic sense are defined by Sh. Shodmonov as follows:

"Production costs are the amount of money an enterprise spends to produce a product, to purchase economic resources. The firm begins its activity by purchasing material resources from the market, i.e.



equipment, machinery, vehicles and communications, raw materials, fuel, various materials, labor force from the labor market. accordingly, the cost of production includes raw materials, basic and auxiliary materials, fuel and energy costs, depreciation of fixed assets, deductions from wages and social insurance, interest payments, etc. costs are included. the monetary expression of all production costs is the cost of the product "[4].

M.Boltaboev "TANNARX, product cost - production of the enterprise. and a monetary expression of the total current expenses incurred to sell it and to perform work or render services. important elements of cost in the production of goods - the cost of imported raw materials, basic materials, electricity; basic and additional salary; social insurance contributions; depreciation allowances and b. expenses. " [5] -. The Russian Tax Code (1998) defines the costs of production and sale of cost-effective products as natural resources, raw materials, basic and auxiliary materials, fuel, energy, fixed assets, labor resources and exploitation used in the production of goods other costs, as well as non-production costs "[6].

The current Tax Code (2020) states that "... expenses incurred (seen) by a taxpayer during the reporting (tax) period, both in the Republic of Uzbekistan and abroad, are substantiated and documented (Articles 333-336 of this Code) and in the case of withholding, losses). [7].

We agree with Malikov: "The monetary value of resources used to make a profit or to achieve other goals of the UC is called the cost of the UC. The concept of "cost" is broader than the concept of "cost". because the cost reflects a portion of the total cost (simple reproduction costs). .cost of goods (works and services) consists of the cost of raw materials, materials, fuel, energy, fixed assets, labor resources and other costs of their production and sale, used in the production of goods (works and services). In practice, the concepts of "total cost of production" and "unit cost of production" are widely used "[8]. The Great Russian Encyclopedia (2017) defines "cost price" as an estimate of the current costs incurred by an enterprise to produce and sell a product "[9].

On the website of the magazine "Financial Director" "Cost is the total cost of the organization, which arises in the production of goods or works, as well as the provision of services." [10].

"The cost of the product is the total cost, which the enterprise carries out at the same time as the production of goods and its continued sale" [11].

N.N. Ignatenki, E.V. Vyleganina [12] considers increasing labor productivity as the most important factor in reducing the cost of production.

P.A. Lunin considers "cost - the central category of accounting" [13], and in his scientific work Russian scientists are important in the search for cost reserves, establishing control, increasing production efficiency, conducting comparative analysis, pricing, determining efficiency notes that it is an indicator.m.T. In his dissertation, Kovalchuk [14] clarified such concepts as "costs", "expenses", "expenditures" and "cost (sebestoimost)". Normative documents, based on the study of the definitions of scientists, argue that the term "costs" is a broader concept than the terms "costs", "costs" and "cost" (sebestoimost), and any costs to maintain production activities and in the future. concludes that it is done for development.In overseas research, research on identifying trends in different aspects and linking the issue of cost with different factors plays a significant role. For example, Dillep G.dhavale



[15] studies product cost based on its contribution to changing technologies in decision making. N. Abdusalomova argues that "cost accounting is a new trend in accounting in developing countries" [16].

From these analyzes, it can be concluded that the definitions of the studied indicators should be distinguished from the point of view of general economic, financial and management accounting. There is a need to systematize them. In Russian sources, the cost of the product includes production costs as well as sales costs. In international practice, sales costs are included in operating expenses rather than in the cost of the product. Based on these analyzes, we have separate definitions of the concepts of cost and cost for general economic, financial accounting and management accounting purposes, adding to the idea that the concept of cost has a broader meaning than the concept of cost, i.e. costs also include costs. The conceptual framework of accounting defines financial accounting and reporting purposes as follows: "Expenses are those holders of claims against the entity's equity in the form of a decrease in assets or an increase in liabilities during the reporting period is reflected in the reduction of private capital, not related to the distribution of contributions in favor of." [17] This definition is a generally accepted rule.

Costs are a monetary expression of the value of all resources spent to achieve the intended purpose (production of goods, purchase of goods, services, performance of works, implementation of projects). The term has many meanings and different types of costs are used in different situations. For example, manufacturing companies incur a lot of costs to produce a product and sell it to customers. These include material costs, labor costs, depreciation costs of machinery and equipment, repair costs, staff feeding and medical costs, electricity costs, product storage, advertising, and delivery to customers. Managers' salaries, telephone and internet costs, and other expenses. The type and amount of costs will depend on the characteristics of the organization's activities, its size and other factors.

In the context of globalization of the economy, financial activity is becoming the main activity of modern companies. In accordance with international standards, such costs may include losses from the disposal of financial assets, impairment losses on financial assets, losses from reclassification of financial assets and other financial expenses.

Expenses that are not related to the normal operation of the enterprise - these are costs that may or may not occur in the course of the normal course of operations of the enterprise. These include losses due to natural disasters, losses from disposal of non-current assets, exchange rate losses.

In the US Dictionary of Accounting, "production costs are the costs of materials plus the costs associated with converting those materials into finished products. All production costs are required to be included in the cost of the finished product so that the company's external financial statements comply with GAAP requirements." [18]. Production costs in this source are divided into three categories: Direct materials, Direct labor and Manufacturing overhead.

Production costs are the direct labor and overhead costs incurred in the production process of goods (works, services) in the production process, as well as their processing, and as a result of a reasonable combination of these costs, the cost of the finished product.

Depending on the method of carrying production costs to cost objects: are divided into direct (direct)



and indirect (indirect) production costs.

direct (indirect) costs are costs that can be incurred directly in relation to the actual cost item. for example, in the manufacture of a car, the cost of the body, engine and other spare parts of the car, as well as the labor costs of the production workers engaged in the production of this type of car, are direct costs. these costs can be directly attributed to the cost of the product, depending on which vehicle was used in production. Some literature also describes the correct costs.

indirect costs (indirect) costs - costs that can not be carried directly to the object of the actual cost, which are not accumulated (accumulated), and then distributed on the basis of certain cost criteria based on the cost of the product it is said. for example, the labor costs of a vehicle production quality control inspector cannot be attributed to the cost of a single vehicle because it is considered that the employee's labor depends on the quality control of several types of vehicles. therefore, it is advisable to distribute his wages in proportion to the number of hours he has spent in controlling the quality of each type of vehicle.

As a result of the implementation of production costs, the cost of the product is formed. hence, the cost of production is reflected in the value of the finished product in the form of the cost of the finished product.

cost of goods (works and services) - are direct and indirect development costs that are useful in the processing of inventories and are carried to the value of finished products, added to its value in the process of performing services and works.

The expression of the cost of production items in the cost is called the cost elements of the finished product.

The cost of the finished product consists of three cost elements.

Hence, the cost of the finished product consists of the sum of three cost elements:

direct material costs (Direct);

Direct labor costs (Direct);

Overhead costs (Indirect).

As noted above, international standards illuminate the cost of a product in terms of the cost of inventories. because its cost (purchase and other costs) is formed before the reserve enters production, then it is processed. In the process of processing, labor and overhead costs are incurred. As a result, the stock involved in production becomes the finished product. costs associated with the delivery of the finished product to its current state and location. Through these processes, the cost of the product is formed.

CIMA, the most influential organization in the field, has given specific definitions to the concepts of Costing, Cost Accounting and Cost Accountancy. Management accounting approaches the concept of cost within its own principles. Costs are the main object of management accounting. The concept of cost is a broad concept and is a cost that is taken into account regardless of which activity it belongs to and when it occurred.

“Costing is a set of techniques and methods used to determine the cost and the process of calculating it. These methods consist of principles and rules governing the procedure for determining the cost of



goods and services. These methods are determined based on the characteristics of industries in determining the cost of various products and services "[20].

Other sources give similar descriptions: "Costing is the principles and rules used to determine: (a) the cost of producing products, such as chemicals, televisions and other products, and (b) services, such as electricity, transportation and the cost of providing other services." In our practice, the calculation of cost is called "calculation of the cost of goods (works and services)", in Russian "calculation of the cost of production (work, service)." "Calculatio" [21] is derived from the Latin word schet, which means to subtract the sum. The term "calculation" is not used in textbooks in Europe and the United States, as well as in international standards in calculating the cost of production. One of the most commonly used terms in the study of cost accounting issues is costing. For example, we use the following types of costing: "costing method, absorption costing, variable (direct) costing, process costing, activity-based costing, actual costing, standard costing, average costing, functional costing, historical costing, constraint based costing, continuous operation costing, contract costing, normal costing, job order costing". Each of these concepts is a single subject. If we translate these terms as calculations, we cannot fully express its essence.

Therefore, we consider it appropriate to adopt the concept of Costing instead of the term calculation. Today cost accounting is emerging as a system in practice and as a separate science in theory. Based on the analysis of the above literature, we define it as follows: Cost accounting system is a periodic process used to measure, record, analyze and interpret the information related to the cost object, and to compile a cost report consists of a set of procedures. The main task of the cost accounting system is to determine the cost of the product reliably and objectively, to provide managers with information for decision-making, to develop alternative management decisions and to determine the unit cost of the product.

## Conclusions and suggestions

Based on this research, the following conclusions and recommendations were made:

1. Today in our economy, increasing the competitiveness of products by reducing costs and cost is considered an important task. Therefore, in the block of economic sciences it is very important to study the science of cost accounting separately, to reveal its purpose, tasks and object.
2. Based on a study of the definitions given to the concepts of costs, production costs, and cost, we can conclude that costs are a broader concept than production costs. The cost of finished goods arises as a result of the fact that production costs are reflected in the cost of finished goods (works and services).
3. The main issues of cost accounting and the scope of its activities have been clarified. The introduction of the concept of costing instead of the term calculation was justified. The implementation of this development will play an important role in the correct organization of cost accounting in enterprises.

## References

1. Law on Accounting, Article 7. [Https://lex.uz/acts/2931253](https://lex.uz/acts/2931253)
2. Mirziyoev Sh.M. Critical analysis, strict discipline and personal responsibility should be a daily rule of every leader., January 14, 2017.-Tashkent: "Uzbekistan", 2017, -26 p.



3. Resolution of the President of the Republic of Uzbekistan PQ-4611 of February 24, 2020 "On additional measures for the transition to international financial reporting standards." <https://lex.uz/docs/4746047>
4. <Https://qomus.info/encyclopedia/cat-i/ishlab-chiqarish-xarajatlari-uz/>
5. <Https://qomus.info/encyclopedia/cat-t/tannarx-uz/>
6. St.253 NK RF "Expenditures related to production and realization" <https://ru.wikipedia.org/wiki/%D0%A0%D0%Bo%D1%81%D1%85%D0%BE%D0% B4%D1%8B>
7. Tax Code of the Republic of Uzbekistan. <Https://lex.uz/docs/4674902#4684425>
8. T. Malikov. Text of the report. <Http://staff.tiame.uz/storage/users/58/presentations/gwpgkotessidkjlnv1yaflz1lewwu325r4qpno.pdf>
9. Sebestoimost / Kuznetsov O.V. // Bolshaya rossiyskaya encyclopedia: [v 35 t.] / Gl. Ed. Yu. S. Osipov. - M. : Bolshaya rossiyskaya encyclopedia, 2004—2017
10. <Https://www.fd.ru/articles/159104-sebestoimost-tipy-struktura-formirovanie>
11. What is self-sufficiency and how to calculate it: types, types, structure and formation of self-sufficiency <https://kakzarabativat.ru/nachinayushhimpredprinimatelyam/chto-takoe-sebestoimost-kak-rasschitat/>
12. Ignatenki N.N., Vylegjanina E.V. Sebestoimost kak factor finansovoy rezulatativnosti predpriyatiya. <Https://cyberleninka.ru/article/n/sebestoimost-kak-faktorfinansovoy-rezulatativnosti-predpriyatiya/viewer>
13. Lunin P.A. uchet zatrata i kalkulirovanie sebestoimosti nauchno-tehnicheskoy produktsii: Na primere otrazhli «Nauka i nauchnoe obslujivanie» <https://www.dissercat.com/content/uchet-zatrata-i-kalkulirovanie-sebestoimostinauchno-tehnauchno-tekh> "Economics and innovative technologies" scientificelectronic journal. № 3, May-June, 2021 3/2021 (№ 00053) <http://iqtisodiyot.tsue.uz41>
14. Uchet zatrata na proizvodstvo i kalkulirovanie sebestoimosti produktsii na predpriyatiyakh neftegazodobychayushchey promyshlennosti. <Https://www.dissercat.com/content/uchet-zatrata-na-proizvodstvo-i-kalkulirovaniiesebestoimosti-produktsii-na-predpriyatiyakh-ne>
15. Product Costing for Decision Making in Certain Variable - Proportion Technologies // Journal of Management Accounting Research (2007) 19 (1): 51–70. <Https://doi.org/10.2308/jmar.2007.19.1.51>
16. Abdusalomova N., 2017."Cost Accounting and Financial Health: Analysis of Cost Reduction Policy Effect in Selected Enterprises of Metallurgy Industry in Uzbekistan," International Journal of Management Science and Business Administration, Inovatus Services Ltd., vol. 3 (3), pages 33-38, March.
17. Fomina O.B. change of conceptual basis of MSFO. File: /// C: /Users/samisiatm/Desktop/34%20-%20Fomina%20Fomin.pdf
18. What are manufacturing costs? <Https://www.accountingcoach.com/blog/what-aremanufacturing-costs>



# Academicia Globe: Inderscience Research

ISSN: 2776-1010      Volume 3, Issue 6, June, 2022

19. No. 2 IFRS “Reserves” <https://finotchet.ru/articles/133/>
20. Executive program COST AND MANAGEMENT ACCOUNTING Printers / October, 2015/5000. 5-6-p. 21. [Https://yandex.ru/yandsearch?Clid=2039342](https://yandex.ru/yandsearch?Clid=2039342)