



The Procedure for Estimating Production Reserves

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Abstract: The entry of foreign investors into the economy of our republic, the expropriation and privatization of property, the development of entrepreneurship require the organization of accounting on the basis of national and international standards, and the selection of an accounting policy suitable for the market economy. Therefore, economic entities operating under different ownership conditions should operate effectively on the basis of free competition and contribute to the development of the country's economy. Such a task is carried out through the rational use of material and financial resources available in economic entities.

Keywords: Funds, labor tools, cooperative societies, materials, main and auxiliary materials, net sales value, cost, and material resources.

Having a certain amount of funds at the disposal of the enterprise or institutions, association, concern, joint-stock companies is one of the important conditions for their activities.

Enterprise funds are divided into production, non-industrial production and economic funds according to their location. Funds within the scope of production are divided into means of labor and labor goods, depending on the function they perform.

Work-in-progress includes production stocks used in the production of products. They include raw materials and materials, semi-finished products, fuel, work in progress, spare parts, etc. One of their main features is that they are consumed in the process of production, that is, they completely transfer their value to the value of the product being produced.

Raw materials refer to products that have not yet undergone industrial processing, including cotton fibers for cleaning for cotton factories, ore for metallurgical plants, coal for processing for coke plants, and similar products.

The main materials are labor items that are part of the manufactured product and form the basis of this product. Basic materials include labor items that have undergone industrial processing at least once. For example, in the machinery industry, the main materials include metal, rolling stock, leather and other materials used in place of leather in shoe factories.

Auxiliary materials enter the composition of the manufactured product, they create quality changes, that is, they give color to the product, change its taste, but do not constitute its basis. They are used for maintenance of labor tools (lubricating, wiping, etc.) during the production process.

Semi-finished products include such labor items that, although they have undergone some processing steps, have not yet been turned into finished products. One of their features is that all the operations shown in the technological process plan of processing are in a workshop or production section and

are intended to be transferred to the next workshop or section for processing. Semi-finished products can be purchased or produced in-house.

Therefore, purchased semi-finished products are considered separately from semi-finished products produced in the same enterprise.

Fuels are similar to auxiliary materials in their role in production. However, its importance in the national economy and the calculation of production costs and accounting are kept in a separate group. In enterprises, fuel can be used for technological purposes, i.e. metal smelting, electricity generation, as well as for economic needs, including heating of buildings.

Production waste is taken into account in a separate group. Because they constitute a significant weight of production costs in some industries. Therefore, it is important to correctly calculate such waste and control their appropriate use. Waste can be used as main or auxiliary materials in the enterprise itself, and sometimes sold to other enterprises.

Also, dishes and container materials are included in the group of materials, they are used for packaging and placement of the products sold, and are sold together with the products.

The above-mentioned funds form production reserves and are part of the company's inventory. Correct and accurate estimation of production reserves in accounting is important. The assessment of production reserves should be based on Article 12 of the Law of the Republic of Uzbekistan "On Accounting" and the national accounting standard No. 4 entitled "Inventories", and in international practice the international standard of accounting No. 2 entitled "Reserves". In the twelfth article of the law "Valuation of assets and liabilities" it is stated that valuation of current assets is carried out according to the lower of the following two values - according to the actual cost on the balance sheet date or according to the market value. Based on this law, standards have been developed, and in accordance with national and international standards, materials should be considered at the lowest price, that is, at cost or at net sales value. Because one of the reflection of the principle of prudence in accounting is the lower of valuation rule: at cost or net cost of sales.

The value of the inventory can be restored if the inventory is damaged, if it is completely or partially obsolete, or if its selling price has decreased. It is not possible to restore the value of inventories if the estimated cost of disposal or the estimated cost of sale is exceeded. Inventories are written down below cost to net realizable value only when inventories are overstocked and sluggish, so that all assets are not overstated in the financial statements at the amount expected from their sale or use.

Inventories are generally written down to net realizable value on an item-by-item basis. Of the same kind or interrelated: relating to an assortment of products; intended for the same purpose or having the same end use; produced or marketed in the same geographical area; Inventories that cannot be evaluated separately from other materials in this assortment of products can be combined into groups. Inventories cannot be depreciated based on their classification against finished goods or inventories in a specific industry or geographic area.

Materials and other raw materials used in the production of products (works, services) are not discounted at a price lower than their value if the product made from them is sold at the market (daily) price. However, if the cost of finished goods made from material at the price available in the warehouse exceeds the net realizable value, the materials are reduced to net realizable value. In such situations, material cost recovery may be the best available form of measuring their net realizable value.

Net realizable value can be reassessed in each subsequent period.

Inventory valuation at net realizable value (lower than fair value) is done in the following cases:

1. When the selling price of stocks falls;
2. In case of damage to stocks;
3. When stocks are full and partially depleted.

Purchased production stocks consist of the following items:

- the amount due to the supplier of the goods according to his account;
- transportation costs incurred by foreign organizations;
- value of services provided by commodity exchanges;
- applicable taxes and tariffs;
- Other costs related to the purchase, receipt and storage of stocks.

Other costs are included in the cost of inventory only if they are incurred during the delivery of the inventory to its destination or during the process of bringing it into proper condition. For example, it may be possible to include non-manufacturing overhead or production costs for certain customers in inventory costs.

Costs that are not included in the production cost of inventories are recognized as period costs:

1. Selling expenses;
2. Management costs (administrative costs);
3. Other operating expenses and losses.

It takes a lot of work and time to prepare each of the materials and calculate the actual cost. That is why, in most cases, the difference between the current calculated average purchase price and the planned cost of material assets is taken into account in separate analytical accounts for their groups. In practice, the widespread use of computers makes it possible to calculate the actual cost of each type of material stocks.

At what price the materials accepted for production needs should be released for this process has always been an urgent issue of accounting work. Because exactly the same material is imported at different prices in different periods. Due to the fact that the prices for their production can be different, it is necessary to apply a single price and ensure that it remains unchanged during the reporting period.

Determining the actual cost of materials to be written off to production costs can be done using the following methods of their assessment:

- A way to identify each;
- Average cost or AVECO method;
- Based on average estimates, first-in-first-out, FIFO method;
- Average cost, last receipt-last cost, LIFO method.

We use each of the above methods of identification in cases where it is clearly defined which purchase transaction resulted in the unit of production stock at the end of the reporting period. In addition, this method is used in cases where production stocks are diverse and purchasing operations are few. This method is more appropriate to use when production stocks are unique and very expensive and it is possible to account for each unit of production stocks separately. So it goes without saying that using this method requires more time and effort, but the accounts will be clear.

We can see in the chart below the methods of estimating production reserves and which ones are used in the conditions of Uzbekistan and which ones are used in international practice.

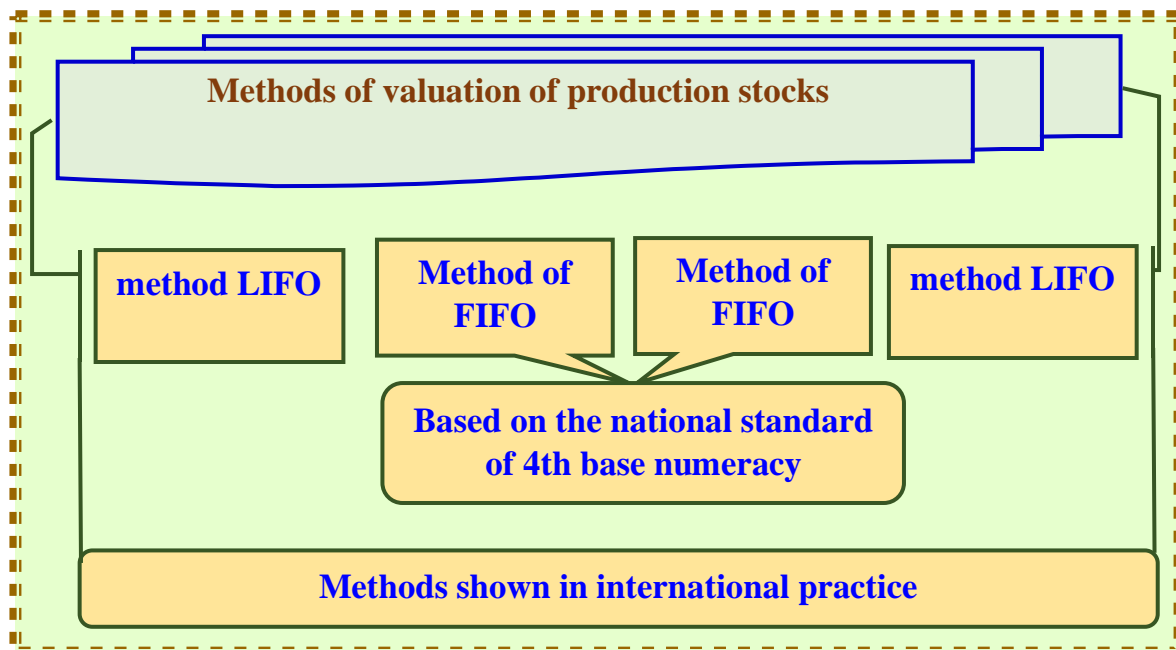


Figure 1. Methods of estimating production reserves.

In international practice, the actual cost of production reserves is determined based on the 2nd BHXS and the second principle of the basic principles of material accounting. We will consider the procedure for purchasing materials and determining their actual cost in the example below..

- Enterprise 15. 04. 22 y. purchased the following materials at:
- the purchase price of materials is 80,000 (soums in a conventional unit);
- when purchasing materials, the costs of their formalization are 5,000 soums per conditional unit; Transportation costs are 10,000 soums per conditional unit.

The amount of value added tax is 16,000 soums per conditional unit.

- Cost of materials (80,000+5,000+10,000) 95,000 soums per conditional unit.

It is appropriate to consider the formation of the actual cost of the above-mentioned materials in the following diagram with the help of accounting records.

In the first method of material valuation, the material spent during the reporting month is written to the accounts of production costs, as usual, at the current price, at the end of the reporting month, the corresponding share of the difference between the actual cost and the current price is written.

FIFO and LIFO methods were developed in developed countries as methods of valuing production stocks.

First-in-first-out (FIFO) means that regardless of which batch of materials is supplied to production, production is valued at the cost of the first purchased batch of materials, then at the cost of the second batch, and so on.

A different rule applies to the LIFO method. In this case, the last receipt is the first cost, that is, the production of materials is written first at the cost of the last batch, then the previous one, and so on.

The LIFO method is more desirable for profit and loss reporting because it allows better comparison of the income from the sale of goods with their cost. But in the conditions of an increase or decrease in the current price, it is not very appropriate to use this method to estimate the value of production reserves in the current balance sheet, and it is not allowed to be used in Uzbekistan.

We can conclude that in the organization of accounting for production reserves, the main attention is paid to the production reserves belonging to the entity, including on the way and given to processing, processed, processed, labor items used for production and other economic purposes, raw materials

and it is required to focus on the in-depth study of the rules of procedure for summarizing information about the composition, quantity, movement of materials, working capital, their preparation, purchase, their evaluation and re-evaluation processes. During the study, it is necessary to pay attention to the composition, condition, movement, quantity, purchase or production, evaluation and re-evaluation procedures of production reserves. The accounting information should summarize information about the possibilities of reducing the cost of the product - efficient use of material resources, reduction of expenses, storage and protection of production reserves at a level that meets the demand, etc. Also, at the end of the scientific research, we can give the following suggestions and recommendations regarding the improvement of accounting of production reserves in enterprises:

1. The current practical situation of the evaluation of production reserves and the organization of its accounting in enterprises and the degree to which it complies with the principles of accounting were studied.
2. The importance of the correct assessment of production reserves in enterprises and the organization of its analysis, as well as the essence of the problems related to this topic were revealed, as well as the experience of foreign countries in this field was studied.

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