

## PROBLEMS OF REFLECTING THE COST OF GOODS AND MATERIAL RESOURCES

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**Annotation:** *One of the main tasks of accounting is the correct determination and accounting of the cost of inventory in business entities.*

*The article considers accounting to eliminate the problem of including inventories in the organization's balance sheet at cost.*

**Keywords:** *cost, purchasing costs, customs duties, customs fees, value added tax, excise tax, intermediary organization, certification, technical inspection, wages, social tax, transportation costs, insurance costs, discount.*

### Introduction

One of the main tasks of accounting is the recognition of inventories as an asset in business entities, the correct determination of their cost and their reflection in the account. This is because the correct solution to this problem allows, firstly, to correctly determine the benefits that the entity will receive, and secondly, to correctly calculate the income tax. As a result, it prevents the calculation of tax fines and penalties. Increases the reliability of the financial statements of the enterprise.

International coordination of accounting and reporting is important in ensuring sustainable economic growth in countries around the world.

At present, in order to create a favorable investment climate in all countries, to bring national accounting standards in line with international standards, to harmonize national accounting standards with international standards, to unify financial accounting and reporting, the current state of inventory accounting, classification, scientific research on improving their recognition, evaluation and reporting has a special place. As a result of scientific research, some progress has been made in improving the conceptual basis of inventory accounting, their methodology of description, recognition, evaluation and presentation in the financial statements.

The accounting of inventories in the Republic of Uzbekistan is regulated by NAS 4, NAS 19 and NAS 21.

### Review of the literature on the subject

The strategy for improving the tax administration of the Republic of Uzbekistan sets the task "Implementation of measures to reduce differences in the rules of taxation and accounting and their full harmonization with international financial reporting standards" [1].

The above-mentioned problems require the development of methods and techniques of accounting and auditing of inventories in accordance with the requirements of international standards and in-depth scientific research.

Foreign economists on the subject of inventories H. Bohusova, P. Svodoba, D. Mates, David Alexander, Christopher Nobes, Gross, I. Bostan et al., A number of economists have conducted scientific research. D. Dusmuratov, K. B. B. Urazov, associate professor N. K.

Rizaev, associate professor B. Yu. Menglikulov et al., In particular, David Alexander et al argues that “Of course, even conventional accounting sometimes takes account of market values before the sale of assets. For example, in order to be prudent, inventories are usually valued at the lower of cost and net realizable value, and fixed assets are written down below cost if their value is impaired” [2].

The literature on the field does not fully cover the issues of valuation of inventories, their reflection in the accounting records. All this will be the basis for conducting research on this topic, as well as defining its goals and objectives.

Inventories are recognized when they are recognized as an asset and are included in the entity's balance sheet: if the entity is confident of future economic benefits associated with the asset; if the asset value can be reliably assessed and the ownership of the assets passes to them [3].

Valuation of inventories is based on the cost at the balance sheet date or the net realizable value at the balance sheet date [3].

Inventories are included in the balance sheet of business entities at cost and include the purchase price (amount paid to the supplier) and all costs associated with the purchase.

Costs associated with the acquisition of inventories and included in their cost are directly accounted for as follows:

1. The amount of customs duties and fees:

Debit: "Accounts for inventories"

Credit: "Other liabilities (analytical accounts)";

2. Taxes related to the purchase of inventories: excise, value added tax (VAT) and the amount of fees (if they are not covered, are not taken into account):

Debit: "Accounts for inventories"

Credit: "Accounts payable to suppliers and contractors";

3. Taxes related to the purchase of inventories: excise, value added tax (VAT) and the amount of fees (if they are reimbursed, if they are taken into account):

Debit: "Payments to the budget on taxes and fees (by type)"

Credit: "Accounts payable to suppliers and contractors";

4. When purchasing inventories through intermediaries, the brokerage fee is paid:

Debit: "Accounts for inventories"

Credit: "Other liabilities (analytical accounts)";

5. Expenses related to the acquisition of inventories and their certification:

Debit: "Accounts for inventories"

Credit: "Other liabilities (analytical accounts)";

6. Expenses related to the acquisition of inventories and their testing in accordance with the technical conditions (consumption of materials, payment to contractors conducting special testing, workers' wages and social taxes):

Debit: "Accounts for inventories"

Credit: "Raw materials and supplies",

Credit: "Accounts payable to suppliers and contractors",

Credit: "Salary settlements with the employee",

Credit: "Debt on payments to the budget (by type)";

7. Costs of preparation of transport for the preparation of inventories and their delivery to the current location or place of use (transport of the transport enterprise, transport on the balance of the entity):

Debit: "Accounts for inventories"

Credit: "Accounts payable to suppliers and contractors",

Credit: "Auxiliary production";

8. Expenses on preparation, loading and unloading of inventories and payment for their transportation by all types of transport, freight at the current place of location or use, including the costs of insurance of risks in the transportation of inventories:

Debit: "Accounts for inventories"

Credit: "Insurance payments".

Goods purchased by an entity for resale from other persons may be accounted for at cost. In this case, the costs associated with the purchase of goods (transport, preparation, loading and unloading, etc.) are included in the periodic costs (sales costs) of the organization in the reporting period in which they occurred. In this case, the costs associated with the purchase of goods are debited: "Sales costs" credit: "Accounts payable to suppliers and contractors" accounting entries are issued.

#### Analysis and results

In order to establish appropriate control over the activities of financially responsible persons, organizations engaged in trade and catering are allowed to reflect discounts on the cost of sales of purchased goods in the account, taking into account the discounts separately. In this case, the amount of the discount (premium) is debited - "Accounts for goods", Credit - "Profit of a commercial enterprise".

The procedure for accounting for inventories must be reflected in the entity's accounting policies.

Goods can be purchased at a discount under the contract.

Discounts used by the buyer on the date of receipt of the goods, if there are supporting primary accounting documents, they are carried out to reduce the value of purchased goods (not included in the cost of purchase).

For example, the following goods were accepted based on supporting primary accounting documents:

1- table

№	Name of goods	Unit of measurement	Amount	Price	Total price	Excise tax		Value added tax		Price of payment
						%	price	%	price	
1	A commodity	pieces	10	5000	50000	-	-	15	7500	57500
2	B commodity	pieces	15	6000	90000	-	-	15	13500	103500
3	C commodity	pieces	20	8000	160000	-	-	15	24000	184000
4	D commodity	pieces	20	4000	80000	-	-	15	12000	92000
	<b>All, whole:</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>380000</b>	<b>x</b>	<b>x</b>	<b>15</b>	<b>57000</b>	<b>437000</b>
	Discount 5%				19000				2850	21850
	<b>For payment:</b>				<b>361000</b>				<b>54150</b>	<b>415150</b>

Based on the data in Table 1, we calculate the cost of goods purchased:

2- table

**Calculation of the value (cost) of purchased goods**

№	Name of goods	Prices		Value added tax price			Price of payment	
		without discount	with discount	%	without discount	with discount	without discount	with discount
1	A commodity	50000	47500	15	7500	7125	57500	54625
2	B commodity	90000	85500	15	13500	12825	103500	98325
3	C commodity	160000	152000	15	24000	22800	184000	174800
4	D commodity	80000	76000	15	12000	11400	92000	87400
	<b>All, whole:</b>	<b>380000</b>	<b>361000</b>	<b>15</b>	<b>57000</b>	<b>54150</b>	<b>437000</b>	<b>415150</b>

Table 2 shows that the cost of importing these goods is 361,000 soums without VAT (380,000 - (380,000 x 0.05)). That is, these accounting transactions are provided with the following accounting entries:

debit: "Accounts for goods" - 361000 soums

debit: "Payments to the budget on taxes and fees (by type)" -54150 soums

credit: "Accounts payable to suppliers" 415150 soums.

If we divide the amount written in the (column) by the number of goods, the value of one commodity is obtained.

Deductions (received) as a result of fulfillment of the terms of the contract for their purchase after the date of receipt of inventories are carried to the financial results of the organization and do not reduce the value of purchased inventories.

The amount of the discount received after the date of receipt of goods is given: debit: "Accounts payable to suppliers", credit: "Other operating income" or the following reverse accounting entry: debit: "Accounts payable to suppliers", credit: "Accounts for goods".

When additional goods are received free of charge, their cost is determined by dividing the value of purchased goods by the amount of all goods received (including goods received free of charge), if there are supporting primary accounting documents.

For example, on the basis of supporting primary accounting documents, the following goods and 7 free goods A, B, C and C (Table 3) were received free of charge, in accordance with the quantity of these goods:

3- table

№	Name of goods	Unit of measurement	Amount	Price	Total price	Excise tax		Value added tax		Price of payment
						%	price		price	
1	A commodity	pieces	10	5000	50000	-	-	15	7500	57500
2	B commodity	pieces	15	6000	90000	-	-	15	13500	103500
3	C commodity	pieces	20	8000	160000	-	-	15	24000	184000
4	D commodity	pieces	20	4000	80000	-	-	15	12000	92000
	<b>All, whole:</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>380000</b>	<b>x</b>	<b>x</b>	<b>15</b>	<b>57000</b>	<b>437000</b>
	<b>free of charge:</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

5	A commodity	pieces	1	-	-	-	-	-	-	-
6	B commodity	pieces	2	-	-	-	-	-	-	-
7	C commodity	pieces	2	-	-	-	-	-	-	-
8	D commodity	pieces	2	-	-	-	-	-	-	-
	<b>For payment:</b>		<b>7</b>	<b>x</b>	<b>380000</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>437000</b>

Based on the data in Table 3, we calculate the cost of goods purchased:

4- table

#### Calculation of the value (cost) of purchased goods

№	Name of goods	Unit of measurement	Amount	Price	Total price	Excise tax		Value added tax		Price of payment
						%	price	%	price	
1	A commodity	pieces	11	4545,45	50000	-	-	15	7500	57500
2	B commodity	pieces	17	5294,12	90000	-	-	15	13500	103500
3	C commodity	pieces	22	7272,73	160000	-	-	15	24000	184000
4	D commodity	pieces	22	3636,36	80000	-	-	15	12000	92000
	<b>All, whole:</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>380000</b>	<b>x</b>	<b>x</b>	<b>15</b>	<b>57000</b>	<b>437000</b>

As can be seen from Table 4, the cost of importing these goods is 380,000 soums. That is, debit to this amount: "Accounts for goods", credit: "Accounts payable to suppliers". The amount of value-added tax of 57,000 soums is as follows: debit: "Payments to the budget on taxes and fees (by type)", credit: "Accounts payable to suppliers".

If the enterprise is not a VAT payer, then the amount of VAT on the purchased goods is also included in the cost of goods. In this case, for 437,000 soums (380,000+57,000): debit: "Accounts for goods", credit: "Accounts payable to suppliers".

When additional goods are received free of charge at the expense of previously delivered goods, the cost of additional goods received in the prescribed manner is carried out to the financial results of the reporting period.

When additional goods are received free of charge at the expense of previously delivered goods, the amount of additional goods received (net sales value): debit: "Accounts for goods", credit: "Other operating income".

If, at the time of acquisition of inventories, additional inventories are received free of charge, taking into account previously purchased inventories, the shares of additional gratuitously acquired inventories corresponding to previously purchased and last purchased inventories are determined. In this case, the value of the last purchased goods is taken into account, taking into account the share of additional free goods received.

The amount of additional goods received free of charge (net selling value) corresponding to the previously purchased goods: debit: "Accounts for goods", credit: "Other operating income".

The cost of the last purchased goods is determined by dividing them by the amount of the last purchased goods (including the last free goods received).

The amount of additional goods received free of charge (purchase cost) corresponding to the last purchased goods is given: debit: "Accounts for goods", credit: "Other operating income".

Expenses related to payment for purchased inventories (costs of opening a letter of credit, bank commission for transfers, commission for its conversion in the purchase of inventories in foreign currency and other banking services), preparation of contracts for the purchase of inventories, expenses related to registration and closure and other expenses not directly related to the acquisition of assets are not included in the cost of inventories and are recognized as an expense in the period in which they occur. That is, these costs are debited to the amount: "Other operating expenses", credit: "Accounts receivable".

When inventories are purchased or developed at the expense of borrowed funds, the costs in the form of interest for the use of debt are not included in the cost of inventories purchased in whole or in part at the expense of borrowed funds. That is, when the amount of these costs is partially included in the cost, debit: "Accounts for inventories", credit: "Accrued interest". If the cost is not included, the following accounting entries are issued: debit: "Expenses in the form of interest", credit: "Accrued interest".

Expenses for the acquisition of inventories are determined on the basis of primary documents confirming their occurrence.

A business entity may purchase inventories on terms of deferred payment. If such an agreement actually includes a financing element, this element, for example, the difference between the purchase price and the repayment amount on a loan under normal conditions, must be recognized as an interest expense during that financing period [3].

If the terms of the contract provide for a deferral or installment payment for inventories to be purchased, they shall be credited to the accounting account at the selling price without providing a deferred payment or installment payment.

In this case, the difference between the value of inventories sold without deferred payment or installment payment and the total amount of payment for inventories purchased is the total amount of deferred or installment payments of the current payment during the deferred or installment period are recognized as financial expenses (interest expenses) based on their weight.

*For example,* If the goods are purchased for 12000.0 thousand soums, of which 10000.0 thousand soums are paid at the time of purchase and the remaining 2000.0 thousand soums are paid for the next 2 years under the terms of the contract, the initial value of the goods includes 10000.0 thousand soums, the remaining 2,000.0 thousand soums will be recognized as an expense within 2 years using the effective interest rate method. That is:

- 10,000, 0 thousand soums to the initial value of the goods debit: "Accounts for goods", credit: "Accounts payable to suppliers";
- Debit on the amount of paid goods of 10000, 0 thousand soums: "Accounts payable to suppliers", credit: "Bank account";
- Debit on deferred payment of 1000, 0 thousand soums for 1 year: "Expenses in the form of interest", credit: "Accounts payable to suppliers";
- In case of late payment of 1000, 0 thousand soums for 1 year: debit: "Accounts payable to suppliers", credit: "Bank account";

- Deferred payment for 2 years 1000, 0 thousand soums, debit to the remaining payment: "Other long-term overdue expenses", credit: "Long-term debts to various creditors";
- 2 years "Other long-term overdue expenses" - debit to the closing amount of the account 1000, 0 thousand soums: "Interest expenses" credit: "Other long-term overdue expenses";
- In 2 years "Long-term debts to various creditors" - debit to the account closing amount of 1000, 0 thousand soums: "Long-term debts to various creditors", credit: "Accounts payable to suppliers".
- Debit when paying overdue payments of 1000, 0 thousand soums for 2 years: "Accounts payable to suppliers", credit: "Bank account".

Expenses related to the additional processing of inventories and their utilization include the costs of sorting, packaging and branding of the organization, which are not related to the production of goods, works and services. Costs associated with the restoration work (consumption of materials, wages, social taxes, maintenance of equipment) are included in the cost of inventories. That is, when the amount of these costs is included in the cost, the following accounting entries are made: debit: "Accounts for inventories", credit: "Accounts for materials", "Payroll", "Debt to the budget (by type) )", " Auxiliary Production ".

The method of direct inclusion of acquisition and purchase costs in the cost of inventories can be used in organizations with inventories that do not have many types of inventories, as well as in cases where the value of individual types and groups of inventories is significant.

In the indirect method of accounting for inventories, the costs associated with the acquisition of inventories in accordance with the accounting documents are reflected in the synthetic account "Preparation and purchase of materials" (1510) and then included in the cost of inventories by type of material or will be included in production costs or period costs, depending on their use.

The amount of costs associated with the acquisition of inventories is collected separately and distributed among the relevant names of inventories (parties, groups to which the costs associated with the acquisition are made).

The amount of separate acquisition costs is allocated between the amount of inventories remaining at the end of the period and the amount of inventories disposed of (used, sold, provided free of charge, etc.) at the end of the period, depending on the period specified in the entity's accounting policies.

The amount of acquisition costs related to inventories spent is determined by calculating the average percentage of acquisition costs from the cost of inventories that are expended and reflected in the accounts linked to the accounting records that reflect those inventories outflows. The average percentage of costs associated with the acquisition of inventories is determined by dividing the balance of acquisition costs at the beginning of the period and the amount of acquisition costs incurred during the period by the balance of inventories at the beginning of the period and inventories received during the period [4].

*For example*, At the beginning of the month, the amount of chemical fertilizers available in the farm's warehouse amounted to 2630,544 soums, including the costs associated with the delivery and placement of fertilizers in the farm warehouse - 194,660 soums. During the month, the farm again received fertilizers at a purchase price of 4856 288 soums, and the

costs associated with the delivery and placement of the enterprise in the warehouse amounted to 403,072 soums. This month, 6,468,224 soums worth of fertilizers were used for crop maintenance and a shortfall of 418,318 soums was identified. At the end of the month, we calculate the purchase price of fertilizers left in the warehouse, spent and in short supply:

1) We find the average percentage ( $PC_{\text{average\%}}$ ) of costs associated with the purchase of fertilizers:

$$PC_{\text{average\%}} = 194\,660 + 403\,072 / 2\,630\,544 + (4856\,288 + 403\,072) \times 100\% = 597\,732 / 7889\,904 \times 100\% = 7,58\%$$

2) Amount of fertilizer left in stock at the end of the month ( $FLS_{\text{end of the month}}$ ):

$$FLS_{\text{end of the month}} = (2\,630\,544 + (4856\,288 + 403\,072)) - (6\,468\,224 + 418\,318) = 7889\,904 - 6886\,542 = 1003\,362 \text{ soums.}$$

3) At the end of the month, we calculate the purchase price ( $EMF_{\text{purchase price}}$ ) of fertilizers left in the warehouse:

$$EMF_{\text{purchase price}} = 1003\,362 \times (100 - 7,58\%) / 100\% = (1003\,362 \times 92,42\%) / 100\% = 92730716,04 / 100\% = 927\,307,16 \text{ soums.}$$

4) We calculate the purchase price ( $SF_{\text{purchase price}}$ ) of waste fertilizers:

$$SF_{\text{purchase price}} = 6468\,224 \times (100 - 7,58\%) / 100\% = (6468\,224 \times 92,42\%) / 100\% = 597\,793262,08 / 100\% = 5977\,932,62 \text{ soums.}$$

5) We calculate the purchase price ( $DF_{\text{purchase price}}$ ) of deficient fertilizers:

$$DF_{\text{purchase price}} = 418\,318 \times (100 - 7,58\%) / 100\% = (418\,318 \times 92,42\%) / 100\% = 38\,660949,56 / 100\% = 386\,609,50 \text{ soums.}$$

The above transactions are reflected in the accounting as follows:

- Fertilizers received in the warehouse in the current month at the purchase price (indirectly):

debit: "Preparation and purchase of materials",

credit: "Accounts payable to suppliers" 4856 288 soums;

- Expenditures related to the purchase of fertilizers received in the warehouse in the current month (preparation and transportation, wages for unloading, social taxes) (indirectly):

debit: "Preparation and purchase of materials",

credit: "Accounts payable to suppliers", "Auxiliary production", "General production costs", "Payroll employee settlements", "Debt on payments to the budget (by type) ) " - 403 072 soums;

- Acceptance of fertilizers received in the warehouse at the purchase price:

debit: "Raw materials and supplies",

credit: "Preparation and purchase of materials" - 4856 288 soums;

- The sum of the difference between the purchase price of fertilizers and the actual cost (estimated price):

debit: "Differences in the cost of materials",

credit: "Preparation and purchase of materials" 403 072 soums;

- Deduction of fertilizers spent on crops at the purchase price:

debit: "Main production" (if farming is the main type of activity),

credit: "Raw materials and supplies" 5977 932.62 soums;



- Deduction of the amount of the difference between the purchase price and the actual cost of fertilizers used for crops:

debit: "Main production" (if farming is the main type of activity),

credit: "Differences in the cost of materials" 490 291.38 soums;

- Write-off of fertilizers that are in short supply at the purchase price:

debit: "Losses from deficits and impairment of values",

credit: "Raw materials and supplies" 386 609.50 soums;

- Deduction of the amount of the difference between the purchase price of fertilizers and the actual cost:

debit: "Losses due to shortages and impairment of values",

credit: "Differences in the cost of materials" 31 708.50 soums.

The method used to account for acquisition costs should be reflected in the entity's accounting policies.

In short, the main task of inventory accounting is the timely registration of the movement of inventories with the relevant documents, their correct recognition as assets, determining the cost and reflecting in the accounting records. Organization and maintenance of inventory accounting in accordance with the requirements of applicable regulations reduces inefficient costs of the enterprise. Increases the profitability of operating activities and the reliability of financial reporting data.

#### **LIST OF USED LITERATURE:**

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