

IMPROVING COST ACCOUNTING FOR SALES OF AGRICULTURAL PRODUCTS

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Abstract: *The article discusses the role and importance of the sales process in agricultural enterprises' economic activities in modern conditions, improving the costs' accounting and distribution which is associated with agricultural products selling, determining the financial results of each product sold, identifying methods for establishing transfer prices in the economic relations of production units in agricultural enterprises and improving the reflection in accounting accounts of agricultural products selling process.*

Key words: *Economic process, implementation process, financial accounting, management accounting, synthetic account, analytical account, prime cost, improving of sales, accounting of sales, cost of goods, sale price, transfer price, financial result.*

The efficient use of land, water, labor and material resources in agriculture makes it possible to effectively develop the agricultural economy. Effective development of the agricultural economy will ensure the country's food security and improve the living standards of rural residents. Therefore, in strategic programs, special attention is paid to agriculture development for developing economy sectors of Uzbekistan. In particular, the following tasks are planned for 2024: "Increase the average income per hectare to 4.3 thousand dollars, the volume of exports of agricultural products to 2.5 billion dollars, the average cotton yield to 35.5 and 69.0 centners. grain, modern introduction of resource-saving technologies on 33% of cotton and grain areas, application of modern water-saving technologies on another 91 thousand hectares of land, creation of 11 new agrological centers with a capacity of 2.5 million tons" [1].

In order to implement the tasks set for agriculture, the problems of expanding the attraction of foreign and local investments, ensuring free competition, reducing government interference in the activities of producers, further improving the mechanisms of material incentives, as well as the effective use of available land, water, labor and financial resources in agriculture.

When solving these problems, it is important to properly organize and maintain accounting in agriculture based on international standards. Properly organized accounting

leads to expanded capabilities of business entities based on the efficient use of resources in business activities, reducing costs and increasing profits.

The analysis of current research, accounting based on international standards while improving the financial condition of business entities increases the efficiency of analysis and control of each economic process, identifying available opportunities and making management decisions on their use.

The economic process consists of the processes of supply, production and sales, among which the sales process occupies an important place. Therefore, the sales process begins with the acceptance of finished products from production and ends with the receipt of funds for sold products.

Thus, by increasing the volume of products, improving their quality, ensuring the material interest of producers in the supply of agricultural products to domestic and foreign markets, obtaining products with full profit, collecting them without damage, reducing losses during storage, timely sale of products at affordable prices - one of the main tasks of enterprise management.

The management of the enterprise needs accounting information, such as gross profit, volume of products sold (works, services), cost of products sold (works, services) and income from sales, financial result of sold products.

Separate agricultural enterprises sell products (work, services) from at least 8 types to 18-22 types. Information about these sold products (works, services) is summarized in the corresponding synthetic accounts and segmental reports of management accounting based on the current accounting methodology. This information is general information about the products sold (works, services) and does not allow determining the financial result for each product sold (works, services). In addition, the costs of selling products (works, services), as a rule, are taken into account in synthetic account 9410 - "Sales costs" at enterprises and are not included in the cost price when determining the financial result of each sold product (work, services).

In order to solve these problems, it is necessary to distribute costs associated with sales by type of product (work, service), determine the financial result and economic efficiency of each product (work, service) sold. This accounting information improves the efficiency of management decisions and regulates the sales process.

The sales process plays an important role in the stable operation of an economic entity. The analysis of the accounting process of sale (realization) in the economic literature and regulatory documents shows that the essence of the term sale (realization) is not fully disclosed. "Realization (lat. realis - real) - 1) sale of manufactured or resold goods and services with cash receipt; 2) execute the plan, get the result". [13]- was noted.

In some sources, we can also see the following definitions of this term: "realization of goods, works, services - sale of property, manufactured goods and services or their resale together with cash receipts, alienation of property for compensation" [14] , "Realization is the sale of manufactured or resold goods and services with receipt of income" [15].

The implementation process was carried out by the Russian scientist Paliy V.F. described as follows: "The implementation process is a two-way process. On the one hand, it is a clear process of handing over the object of sale or performance of works and provision of

services to the buyer. On the other hand, it is the process of payment and receipt of money for a transaction by a seller or contractor” [7].

L.A. Bernstein defines the realization process as follows: “Realization is the process of converting non-monetary resources and rights into money, which is most clearly applied to the volume of sales in accounting and financial reporting, assets for money or receiving money.” are volari” [4].

Using the concept of income in the concept of realization by Anthony R. and Rice J., the interpretation of realization is “...the amount of revenue recognized on the sale. “Sales” means cash receipts or claims (receivables) from the sale of goods or services” [3]

B.A.Khasanov, A.A.Khashimov, Z.A.Pardaeva stated that “...in the process of sale (realization), manufactured goods are sent to buyers, and for the products received by them, money is paid to suppliers at the contract price” [9].

A.S. Sotivoldiev “The set of economic transactions related to the sale of products is called the sales process” [8] described the process of selling.

K.B.Urazov, M.E.Pulatov defined the sales process as follows: “Sales process means selling finished products created during the production process, completed works, rendered services to customers. The income obtained in this process is also named after the characteristic of the network. For example, it is called income from the sale of finished products in the production sector, income from the sale of goods in trade, income from construction work, income from services provided in the service sector” [10].

According to R.D.Dusmuratov, B.Y.Menglikulov, “As the realization process completes the circular circulation of economic funds, the enterprise sells its finished products to customers and other enterprises, and as a result, money comes from them. Thus, in this process, the finished product is transferred to the form of money” [5].

Karimov A.A., Islamov F.R., Avlokulov A.Z. stated that “The sales process is the last stage of the circulation of economic funds, and at this stage the products produced by the enterprise are delivered to buyers and consumers on the basis of contracts. The sales process completes the economic process, and the supply process begins again, and this process takes on a broader form than before” [6].

The analysis of the above literature shows that in the scientific and methodical literature, the sales process is more focused on the solution of methodological problems of the accounting of the sale of products (work, services), and the task of management accounting is for each sold (realized) product (work, service) the issues of determining the financial result and determining the economic effect have not been paid attention to.

Increasing the efficiency of management decisions based on information about determining the financial result for each type of product (work, service) sold and calculating economic efficiency based on improving the accounting of the sales process in agricultural enterprises. At the same time, proposals and recommendations are given aimed at improving the method of distributing costs associated with sales between the products (works, services) being sold, as well as organizing and maintaining synthetic and analytical accounts for accounting for the sale of products (works, services).

As a result of the rapid development of the economy in our country, the volume of production in agriculture is steadily increasing (Table 1).

Table 1

Main indicators of agriculture in the Republic of Uzbekistan^{20*}

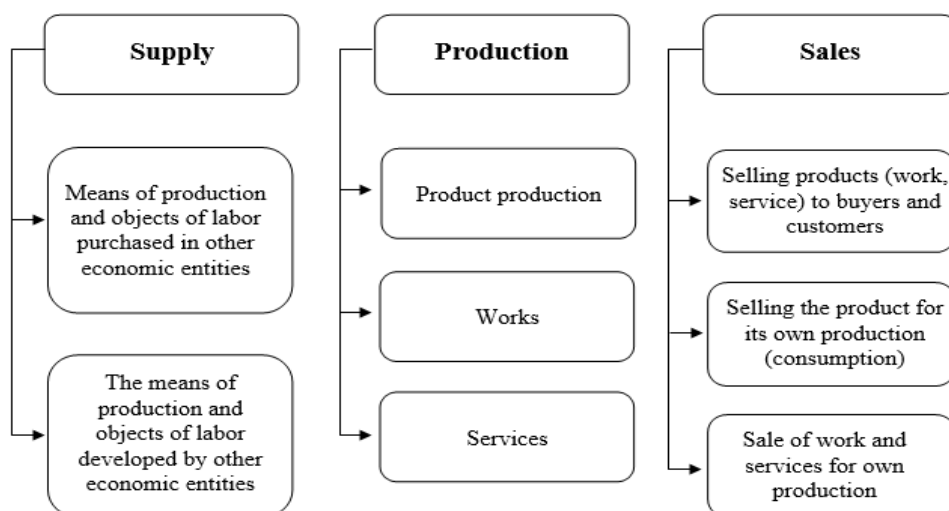
No	Indicators	Years					Change in 2022 compared to 2018	
		2018	2019	2020	2021	2022	absolute	relative, %
		1.	Sown area of agricultural crops, thousand hectares	3396,0	3309,4	3396,1		
2.	Agricultural products, thousand soums	187425,6	216283,1	250250,6	303415,5	345191,7	157766,1	184,2
	including:							
	crop production	98406,4	111904,8	123858,8	152130,4	177962,7	79556,3	180,8
	livestock products	89019,2	104378,3	126391,8	151285,1	167229,0	78209,8	187,9
3.	Growth rates of agricultural production, as a percentage of the previous year	100,2	103,3	102,7	103,9	103,6	3,4	103,4
	including:							
	crop production	95,8	104,8	103,2	104,3	103,8	8	108,4
	livestock products	105,7	101,6	102,1	103,5	103,3	-2,4	2,3

* Author's calculation based on annual statistics

Table 1 shows that in 2022, the sown area of agricultural crops of our Republic decreased by 42.7 thousand hectares or 1.3% compared to 2018. Despite the fact that the cultivated area decreased during these years, the cultivation of agricultural products grew steadily. However, there was a significant change in the composition of agricultural products, i.e., in 2018, 47.5 percent of the total product was livestock products, and in 2022, it was 48.4 percent.

Economic activity in agricultural enterprises consists of the following three stages: supply, production and sale. All these processes are important in economic activity and are inextricably linked. The interrelation of these processes depends on the well-organized activities of agricultural enterprises.

We can see how these processes are implemented in Figure 1 below.



²⁰ <https://stat.uz/uz/rasmiy-statistika/agriculture-2>

Figure 1. Sequence of economic process.

We can divide the sales process in agricultural enterprises into the following two groups:

1. Sale to other business entities and individuals.
2. Sales between the company's internal divisions and to employees.

In recent years, in agriculture, as a result of regulating relations between structural units, evaluating their activities, and other activities, the profit they receive as a result of their activities has increased, and they are achieving economic stability (Table 2).

Table 2

Information from “Report on financial results” of “AFRASIAB JEANS TEXTILE” LC [16]

Unit of measure, m ln. soum

Indicator name	2021 year		2022 year	
	Incomes (profit)	Costs (damage)	Incomes (profit)	Costs (damage)
Net income from the sale of products (goods, work and services).	289 901,4	X	563 677,9	X
Cost of sold products (goods, work and services).	X	257 513,6	X	428 427,2
Gross profit (loss) from the sale of products (goods, work and services)	32 387,8		135 250,7	
Period costs, total, including:	X	16 373,2	X	14 050,1
Selling expenses	X	2 152,0	x	1 021,1
Administrative costs	X	1 796,2	X	511,4
Other operating expenses	X	12 425,0	X	12,5
Other income from the main activity	100,3	X	1,0	X
Profit (loss) of the main activity	16 114,9		121 201,1	
Financial activity income, total, including:	4 468,1	X	10 116,6	X
Income from exchange rate differences	4 468,1	X	10 035,8	X
Other income from financial activities		X	80,8	X
Expenses for financial activities, including:	X	26 051,1	X	85 249,1
Expenses in the form of interest		14 421,9		70 565,6
Losses from exchange rate differences	X	11 629,2	X	14 683,5
Profit (loss) of general economic activity		5 468,1	46 068,5	
Profit (loss) before paying profit tax		5 468,1	46 068,5	
Profit tax	X		X	2 434,5
Net profit (loss) for the reporting period		5 468,1	43 634,0	

As can be seen from Table 2, the agrocluster of “AFRASIAB JEANS TEXTILE” LLC suffered a loss of 5468.1 million soums in 2021, and in 2022, reducing the cost of products. It ended the year with a profit of 43,634.0 million soums due to the improvement of quality, the correct establishment of calculations in the relationship between structural departments and other factors.

These data are on economic entities, and the analysis of accounting for each product (work, service) in the accounting accounts shows that determining the financial results for each type of product sold in farms does not allow to determine the economic efficiency of each of

them, as a result, the production of products limits the ability to make decisions on product cost management in production.

Therefore, based on the principles of management accounting for the sale of products (work, services), open separate analytical accounts for the account of the sales costs of each product under the account 9410-“Sales costs”, and the total sales costs in proportion to the cost of products sold at the end of the reporting period distribution will be appropriate.

In the process of selling products (work, services) to its internal departments, the economic entities do not take into account separately the costs of sales, if there are such costs, they are taken into account as part of the costs of the production unit. Farms sell products (work, services) to their production unit at cost and do not make a profit or loss.

When taking into account production and sales costs by production units, evaluating the services, raw materials or products provided by them to other production units, and evaluating the services, raw materials or products received by them from other production units, transfer pricing is needed.

Transfer pricing depends on the form of production organization (centralized and decentralized) in agricultural enterprises. If the organization of production is organized in a decentralized form, the production units are subordinate to the management of the economic entity and are independent from the point of view of production. Transfer pricing within an enterprise should be established in such a way as to enable accurate and reliable determination of costs, revenues and profits of each production unit. Transfer pricing is important not only for determining the results of production units, but also for making management decisions on questions such as “how to produce and buy”, “selling and further processing” and for evaluating the performance of production units.

In order to solve this problem, we offer to sell the products (works, services) sold in the process of selling products (works, services) to their internal divisions and employees at agricultural enterprises at the transfer price. In this case, the entity should establish a transfer price for the products (work, service) sold to its internal divisions and reflect this in its “Account Policy”.

According to our proposals, in the process of selling products (work, services) to the internal divisions of rural enterprises, it is suggested to reflect the sold products (work, services) in the accounting accounts as follows:

1. Debit 9110-“Cost of finished goods sold” account.

Credit 2810-“Finished goods in the warehouse” account - When the cost of goods sold is written off.

2. Debit 2010-“Main production” account.

Credit 9010-“Income from the sale of finished products” account - to the value of the sold product at the established transfer price.

3. Debit 9010-“Income from the sale of finished products” account.

Credit 9910-“Final financial result” account - When the income from the sold product is transferred to the final financial result.

4. Debit 9910-“Final financial result” account.

Credit 9110-“ Cost of finished goods sold” account - When the cost of goods sold is transferred to the final financial result.

5. When determining the financial result of the sold product (work, service):

a) In case of profit: Debit 9910-“Final financial result” account.

Credit 8710 –“Undistributed profit of the reporting period (unreimbursed damage)” account

b) In case of loss: Debit 8710-“Undistributed profit (unreimbursed loss) of the reporting period” account.

Credit 9910-“Final financial result” account.

Establish transfer prices for products produced in agricultural enterprises and sold to their own internal divisions and employees, the establishment of transfer prices makes it possible to determine the efficiency of production in production units, their activity is evaluated by the management of the farm, which in turn helps control costs of production units and products, will reduce the cost.

Conclusions and suggestions

It allows to determine the financial results and economic efficiency of each type of product sold based on the account of sales of products (work, services), to make appropriate decisions on the management of product volume and cost in the production of each product.

Therefore, based on the principles of management accounting for the sale of products (work, services), under the account 9410-“Sales costs”, separate analytical accounts should be opened for the account of the sales costs of each product, and the total sales costs should be proportional to the cost of the products sold at the end of the reporting period. distribution is proposed.

In agricultural enterprises, in the process of selling products (work, services) to their internal departments, they do not take into account the costs of sales separately, but consider them as part of the costs of the production department.

We offer to sell the products (works, services) sold in the process of selling products (works, services) to their internal departments and employees at agricultural enterprises at the transfer price set by the entity. In this case, the entity should establish a transfer price for the products (work, service) sold to its internal divisions and reflect this in its “Account Policy”.

Application of our proposals in practice, an opportunity to make decisions on product cost management in each product production, reduces product (work, service) cost and leads to sustainable development of the economic entity.

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