

Ways of organizing and improving production accounting

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Abstract. This article is devoted to the consideration of issues related to the adequate organization of production accounting. In addition, in reliance upon various views of scholars and economists on this issue, the author proposes the ways to improve production accounting.

Key words: accounting, management accounting, production accounting, financial accounting, reporting, costs.

Introduction. In line with the introduction of foreign investment in the economy of Uzbekistan, the republic has also launched making some amendments in the accounting. It should be noted that new terms, principles, methods, accounts, and report types are reflected in the current accounting system. Currently accounting has been introduced into the stage of direct participation not only in the economic entity, but also in monitoring, recording, analyzing and collecting information on the processes occurring in the business entity. As a result of the introduction of new terms, principles and methods, such forms of accounting as financial, management and production accounting appeared in the system of current accounts.

During the period after the Second World War, the methods used in the United States of America did not meet the requirements of management because of progress in reaching scientific and technological achievements, aggravation of the socioeconomic situation, internal and external competition, intensification of inflation and changing production methods. Thus, in the 1950s, new sections and some specific accounts appeared in the accounting system of the USA.

Literature review. Despite the fact that within the period of over a century the world of finance and management accounting seems to be the same, there are various opinions about the difference and unity of this world. Until present time, many scientists have formulated their recommendations on the criteria for distinguishing financial calculations, production and management accounts in their scientific works. In particular, scientific papers of various economists-scientists demonstrate different number of the criteria. For example, in the work of Ch. Horgner we can find seven criteria, in the work of E. A. Mizikovsky – seven criteria, in the work of A.H. Pardaev – eight criteria, in the work of D.P. Pankov – six criteria, in the works of O.

Bobozhonov and K. Djumanyazov – twelve criteria, I.Yu.Tkachenko and G.M. Lisovich distinguish fourteen criteria, and E.B. Kozin and T.A. Kosinus - thirteen criteria, and T.P. Karpova focused on twelve criteria, and B.A. Khasanov presented sixteen criteria in his work. This enables to make a conclusion that there is no definitive conclusion in this area.

Discussion and analysis. Using the criterion of differentiation of financial and management calculations from the scientists specified above, we have conducted comprehensive study of the differences between financial, management and production accounting and presented them in Table 1 given below.

Table №1

Definition and criteria of differentiation of financial accounting, management accounting and production accounting.

№	Distinctive character and criteria	Financial Accounting	Management Accounting	Production accounting
1	Users of information	International organizations, financial institutions, investors, shareholders, government agencies and internal accountable developers.	All trainees and staff at the level of internal management.	Decision-makers on production, financial reporting and management
2	Freedom of choice	It is limited by generally accepted accounting principles, rules, standards and guidelines.	There are no restrictions on the amount of income received from decisions on good governance.	Policies, rules and regulations of generally accepted accounting standards.
3	Application of methods	Documentation, Inventory, Accounting, Duplication, Valuation and Calculation, Balance, Reporting.	All methods of accounting and index, mathematical methods and analysis.	Documentation, inventory, accounting, duplication, evaluation, reporting and partial costing.
4	The unit of measure used.	Monetary unit of measurement.	Monetary, natural, time unit of measurement.	Monetary and natural unit of measure.
5	Organization.	Required.	Is voluntary, with the consent of the manager.	Depending on the nature of the enterprise, with the consent of the manager.
6	Information accumulation period.	After business operations.	Before business operations.	After business operations.

7	Level of information reliability.	Based on these documents.	Based on reliable, predictable information.	Based on real documents.
8	Sources of report creation.	Accounting records, primary documents, accounting registers.	Accounting records, oral and written information, as well as testimony of the administration and decisions of the councils.	Report of accountable persons and records of accounting, primary documents, accounting registers.
9	Reporting period	In a certain period (annually or quarterly)	In necessary cases (time is not defined).	At the end of each production period
10	Level of transparency of information.	Open to all. Can be published in the media.	It is used only within the business entity. Not specified in external reports.	To be kept secret.
11	Cost accounting method.	By object of expenditure.	For costing articles.	Constant and variable, by direct and indirect costs.
12	Object of the account of expenses.	The cost price within the business entity.	Responsibility Centers.	By placement of costs
13	Participants in the report creation	Chief accountant or his deputy	Technologists, department managers, chief accountant and other responsible persons	Managers of the shop or department of production and an employee of the accounting department

As it can be seen from the table, there are general and unambiguous aspects of the organization of financial, management and production accounting.

Distinctive features and criteria for this difference are reflected in the brochures and scientific studies of many scientists who expressed their views on this issue. We have included several proposals. Up to present time this difference existed only between financial and management accounting, but we propose that industrial accounting to be perceived as part of accounting and added to the distinctive features and criteria of difference.

Scientists also expressed their opinion on the relationship between financial, management, production and tax accounting which are considered to be the types of accounting. For example, A.D. Sheremet in his book

“Management accounting” describes the relationship of these elements as follows.

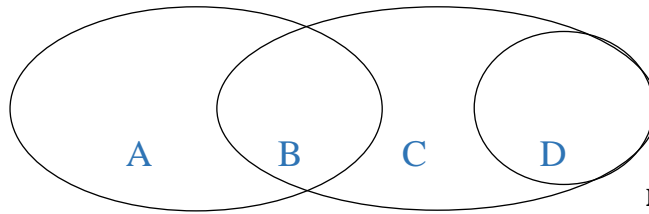


Figure 1. The relationship between

types of accounting.

Where A - production accounting;
 B - financial accounting (for internal management);
 C - narrow financial accounting (for external use);
 D - financial accounting.

It should be noted that A.D. Sheremet describes the existence of the above-mentioned accounting units and their relationship which means that the management account represents the link between financial and production records, and tax accounting is on financial accounting (Sherement, 1999).

G.M. Lisovich I.Yu. Tkachenko in their book “Management accounting in agriculture and processing enterprises of the agro-industrial complex” presented the relationship as follows:

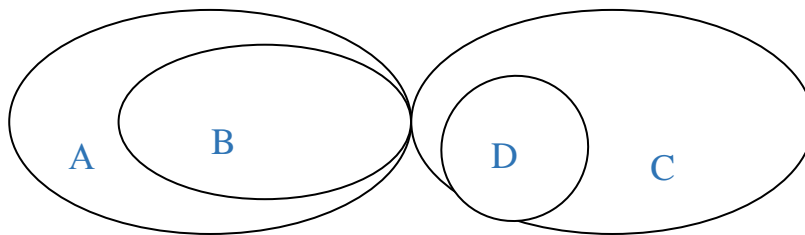


Figure 2. Relationship between types of accounting.

Where A - management accounting;
 B - production accounting;
 C - financial accounting;
 D - tax accounting.

This figure demonstrates that management accounting is closely related to production accounting, and that tax accounting is incorporated in financial accounting and that these accounts are to a certain extent interrelated (Lisovich, 2000).

I.V. Sokolov in the scientific paper “Management accounting: myth or reality” divides accounting into two types and shows their relationship in the following figure:

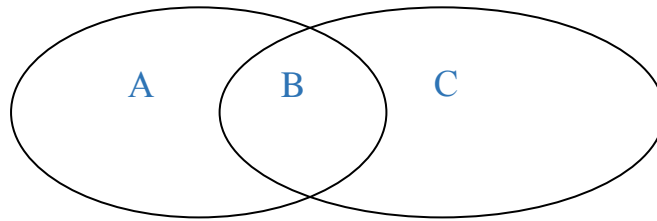


Figure 3. Relationship between accounting components.

Where A is management accounting;
 B - accounting policy;
 C - financial accounting.

As can be seen from this figure, the author distinguishes two components that constitute financial and management accounting, as the accounting policy of their interconnection (Ibragimov, 1999).

A. Karimov F. Islamov A. Avlokulov in their book “Accounting” divide accounting into the following types: managerial, financial and tax accounting (Karimov, 2004).

S.S. Satubaldin notes that production and financial reports have been merged, as all internal accounting processes are reflected in the main book (the Ledger) (Satubaldin, 1980).

In the opinion of A.K. Ibrahimov, “Accounting of production costs can be carried out both in production and in financial accounting. If the production accounting is efficient for the management of an economic entity and the determination of the production cost, the financial statements will be used to manage financial and commercial activities and prepare financial statements” (Ibragimov, 1999).

Many scientists, in particular, C.T. Horgner and J. Foster also expressed opinions on the “Production accounting” concept. For example, according to ideas the ideas of Foster, the keywords are the terms “management accounting” and “production accounting”. K. Drury shows the difference between “Management Accounting” and “Accounting for Production”. A.D. Sheremet considers production accounting as a separate type of accounting, however, Ya. V. Sokolov and other scientists pointed out that the term “accounting” replaced the term “production Accounting”, which refers to the term “accounting of production”.

K. Djumaniyazov and B. Makhsudov in the monograph “Fundamentals of Management Accounting” expressed opinions on the grouping of accounting, the distribution of current and future expenses and the preparation of reports account for production accounting. A.A. Dodonov in his book “Normative Textbook: How it should be” states that normative

calculations play a key role in organizing accounting of production. In his view, the main objective of production accounting is to control the movement and storage of semi-finished products. From the point of view of T.P. Karpova specified in the book “Management accounting” there is an opinion that concepts of “production costs” and “Product price calculation” appeared instead of the usual production accounts. G.M. Lisovich and I.Yu. Tkachenko have considered production part of the financial statements. B.A. Khasanov in his scientific paper considered an account to be a separate type of accounting. In our opinion, the term “production accounting” is not a novelty, since this is the opinion of the above-mentioned scientists. Thus, the term “production accounting” is widely used in the accounting system. The only important thing which must be is to justify its methodology, techniques and principles in practice and in scientific terms. Production accounting, being a part of the accounting system that summarizes information on production costs, determines financial results, manages decisions and monitors their efficiency, as well as serves as a source of information for financial and management accounting.

The cost accounting system serves as the estimated cost for each type of product and provides cost management, cost accounting, and production costs. In addition to the above distinctive features and criteria, the management account is more subjective.

The organization of his work depends on the wishes of the manager, but the requirements of the administration and expectations are taken into account when making managerial decisions as well. Such types of accounting as financial and industrial are objective because they are reflected in the same way as events. Herewith, many scientists of the Republic of Uzbekistan use the Resolution of the Ministry of Finance of the Republic of Uzbekistan № 9 “Regulations on the composition of costs and financial results of production” as of January 27, 1995 amended by Resolution of the Cabinet of Ministers № 54 as of February 5, 1999 as the main source of management accounting. In our opinion, this system is considered to be a source of financial and management accounting, that is, compulsory criteria. In addition, some scholars refuse to cover the topic “Cost Accounting” in their textbooks. In particular, O. Bobozhonov, K. Djumaniyazov did not consider it appropriate to disclose the expense accounts in his books “Financial accounting” or Abdullaev and Kayumov did not comment on this topic in their “Accounting” because the majority of scientists have impression that the cost of expenditure can be taken into account only by the management.

Accounting for costs should be handled in the accounting, financial, management and production accounts. In this regard only a theoretical point of view should be covered theoretically, i.e., the concept of cost, classification, accountability, write-offs, reporting and account registers, as

well as in management and production accounts, in particular, costs are grouped, recorded and written off.

As it is obvious from the analysis and opinions specified above, there are some problems in the development of national accounting and the creation of a unified accounting system in Uzbekistan. It is particularly important to develop and implement theoretical, practical, scientifically sound proposals and recommendations for the development, creation and improvement of methodology and techniques and principles of financial, managerial and production accounting, which represent sections and branches of accounting. There are different views on the structure of accounting which enable to carry out more comprehensive research and analysis.

In reliance upon historical sources, we would like to give our proposals to economists, using their ideas in this field. Due to changes and modifications in the development of science and technology, ownership patterns and state accounting policies, it is possible to change organizational structure, methodology and accounting principles. However, as a system, it preserves its role and its place in the economy of society. Meanwhile, the variety of opinions on this concept should also be taken into account. For example, if some of our scientists continue to use the notion “Financial accounting” instead of “Accounting”, accounting itself can also be part of the financial system. Moreover, there are views and concepts that “financial accounting” is a part of finance.

Conclusion. Based on the research, we describe the organizational structure of accounting in the following figure.

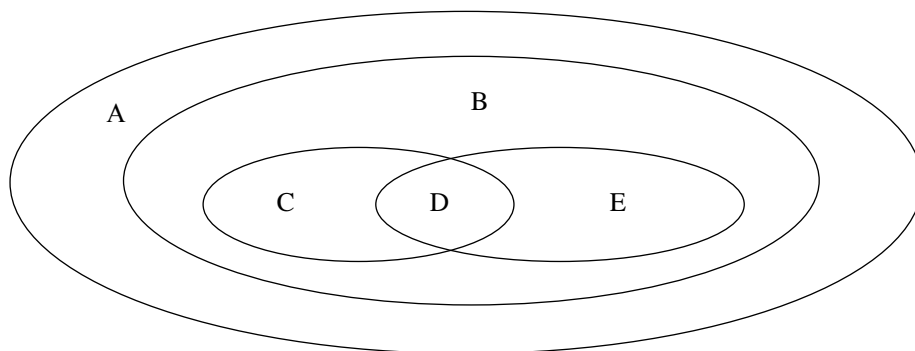


Figure 4. Organizational structure of accounting.

where A is the accounting system;

B- accounting policy;

C- financial account;

D - production account;

E- management accounting.

As it is obvious from this figure, production accounting constitutes an integral part of the accounting policy, as well as other types of accounting. Its organization should be within the accounting policy of doing any type of business.

The production accounting data are reflected as a link between financial accounting and management accounting.

In addition it should be noted that creating an account is not a mandatory requirement for all businesses. The criterion of difference is that it is based on the specific production characteristics of enterprises.

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