

IMPORTANCE, MAIN FUNCTIONS AND OBJECTIVES OF COST ACCOUNTING

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Dilfuza Tashnazarova, base doctoral student
Samarkand Institute of Economics and Service

Abstract:

This article substantiates the need to improve the regulation on costs. Main functions, objectives and importance are presented. Suggestions for improving cost accounting are presented.

Key words:

Cost accounting, production cost report, cost accumulation, expense.



Uzbekistan has adopted a number of regulations to bring accounting to the level of international standards. In particular, the Resolution of the President of the Republic of Uzbekistan dated February 24, 2020 PP-4611 "On additional measures for the transition to international financial reporting standards". The purpose of this Resolution is to:

- improving the investment climate for the inflow of foreign investment in our country, increasing the investment attractiveness of companies;
- providing foreign investors with the necessary information, adapting the content and structure of reports to the needs of information users;
- expanding the access of Uzbek companies and banks to international stock and financial markets;

Fulfillment of the tasks in this resolution requires raising the cost accounting to the level of international standards and the application of best international practices. In this regard, the organization of cost accounting in our country on the basis of international experience is very important.

In this article, we will focus on the importance, purpose, and functions of cost accounting

In the context of economic liberalization, the strategy of cost minimization should be included in the global strategy of competition. To find a solution, it is necessary to approach it from the point of view of management accounting, which provides a comprehensive interpretation of the behavior of these costs and provides 85% of the economic data used in management.

The effectiveness of any organization operating in the current context of increasingly liberalized market relations, the important and basic principle of management accounting for the future is reflected in the interdependence of "cost-production-profit" indicators. and cost management is an important issue to consider. There are approaches to cost management that are fully recognized not only by practitioners, but also by economists. Cost accounting classifies, records and appropriate of determination of costs of products or services and for the presentation of suitably arranged data for purposes of control and guidance of management. Cost accounting may be regarded as "a specialized branch of accounting which involves classification, accumulation, assignment and control of costs.

Cost accounting is different from costing in the sense that the former provides only the basis and information for ascertainment of costs. Once the information is made available, costing can be carried out arithmetically by means of memorandum statements or by method of integral accounting.¹

Cost system determines the costs of various cost objects. Typically, in two basic stages: accumulation, followed by assignment. Cost accumulation is the collection of cost data in some organized way by means of an accounting system. For example, at General motors plant, Chevrolet collects costs in various categories such as different classification of labor, and costs incurred for supervision. Managers and

¹Cost & management accounting and financial management. Study Notes. The institute of cost accounts of India. CMA Bhawan, 12 Sudder street, Kolkata-700 016

management accountants then assign these accumulated costs to designated cost objects, such as the different models of cars that Chevrolet manufactures at the plant.

Cost accounting provides invaluable aid to management. It provides detailed costing information to the management to enable them to maintain effective control over stores to increase efficiency of the organization and to check wastage and losses. It facilitates delegation of responsibility of important tasks and rating of employees. The various advantages derived by the management from a good system of costing are as follows:

- Cost accounting helps in periods of trade depression and trade competition;
- Cost accounting aids price fixation;
- Cost accounting helps in making estimates;
- Cost accounting eliminates wastages;
- Cost accounting makes comparisons possible;
- Cost accounting provides data for periodical profit and loss account;
- Cost accounting helps in determining and enhancing efficiency;
- Cost accounting helps in inventory control.

The outlook of modern business is such that all enterprises-whether large or small, public or private, manufacturing or non-manufacturing a wide variety of cost data in making day by day operating decisions. Thus, for the modern cost accountant, the positive emphasis on analysis and requires involvement in the dynamic phase of business is the current period or future.

Cost accounting aims at systematic recording of expenses and analysis of the same so as to ascertain the cost of each product manufactured or service rendered by an organization. Information regarding cost of each product or service would enable to the management to know where to economize on costs, how to fix prices, how to maximize profits and so on. Thus, the main objectives of cost accounting are the following:

- “To analyze and classify all expenditure with reference to the cost of products and operations;
- To arrive at the cost of production of every unit, job, operation, process, department, or service and to develop cost standard;
- To indicate to the management any inefficiencies and the extent of various forms of waste, whether of materials, time, expenses or in the use of machinery, equipment and tools.
- To provide data for periodical profit and loss accounts and balance sheets at such intervals. Also, to explain in detail the exact reasons for profit or loss revealed in total in the profit and loss accounts;
- To show, where Standard Costs are prepared, what the cost production ought to be and with which the actual costs which are eventually recorded may be compared.
- To present comparative cost data for different periods and various volume of output and to provide guidance in the development of business. This is also helpful in budgetary control.”²

For Uzbek companies that are gradually transitioning to international standards, our proposals on the goals and objectives of cost accounting will help to properly organize cost accounting.

Literature

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