



## Improving the Accounting of Administrative Expenses

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### ABSTRACT

The article studies the classification of expenses and the role of period expenses in its composition. As a result of the research, proposals were developed to reduce administrative and management costs and improve the accounting for expenses of the period.

### ARTICLE INFO

*Article history:*

Received 03 Aug 2022

Received in revised form

02 Sep 2022

Accepted 04 Oct 2022

**Keywords:** accounting, budgeting, costs, production costs, period expenses, administrative expenses, other operating expenses.

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### INTRODUCTION

The economic development of the country depends on the effectiveness of administrative and management activities. For this, it is necessary to determine the most convenient and reasonable ways of the economic management system, to eliminate the duplication of tasks performed by the management, and to implement measures aimed at eliminating administrative obstacles that hinder the

development of economic entities. In this regard, based on the in-depth study of existing experiences in international practice and the analysis of the activities of management bodies at all levels, the legal basis of the administrative management system was created, and the main directions for the implementation of administrative reforms were developed by the government of the republic.

## LITERATURE REVIEW

While the concept of cost is widely used in accounting, the concept of spending is widely used in finance, planning and performance evaluation processes. The concept of output is widely used in economic theory. There is a difference between these concepts, and their misinterpretation can lead to errors in planning activities and managing the production process. In order to prevent this, we believe that it is necessary to know and understand the economic principles of the formation of expenses, costs and expenses.

Many experts have expressed their views on the essence and different aspects of these concepts. According to economist N. Vrublevsky: "Output means material, labor, and monetary resources consumed in the production process, and includes additional and auxiliary expenses. "Expenditure" means creation of production reserves and funds used in the production process [1].

According to economist S. Kotlyarov, "the cost includes social costs, production losses, etc." [2]

According to M. Vakhrushina [3] and V. Kerimov [4], consumption is a part of output, and it is the consumed part of output.

Economists G.Pashigoreva and O.Savchenko say: "Expenditure is the monetary expression of imported goods and services. Expenses are expenses used by the enterprise for the purpose of earning income [5].

According to economists A.Ulmasov and A.Vakhobov: "Costs of the firm are expenses related to the creation of goods and services and their sale. Costs related to the creation of goods constitute production costs [6].

Cost is the reduction of economic profit in the form of outflow of assets or their use during the reporting period, as well as the occurrence of obligations that lead to a decrease in capital among participants [7].

In the above-mentioned points, the definition of the concept of cost is mainly given. However, the economic literature has not paid enough attention to administrative costs.

## RESEARCH METHODOLOGY

The rules for the organization of the account of administrative and management expenses are reflected in the regulatory legal documents. It is of great importance in improving the scientific and methodological apparatus of accounting of administrative management costs in economic entities operating in the Republic of Uzbekistan.

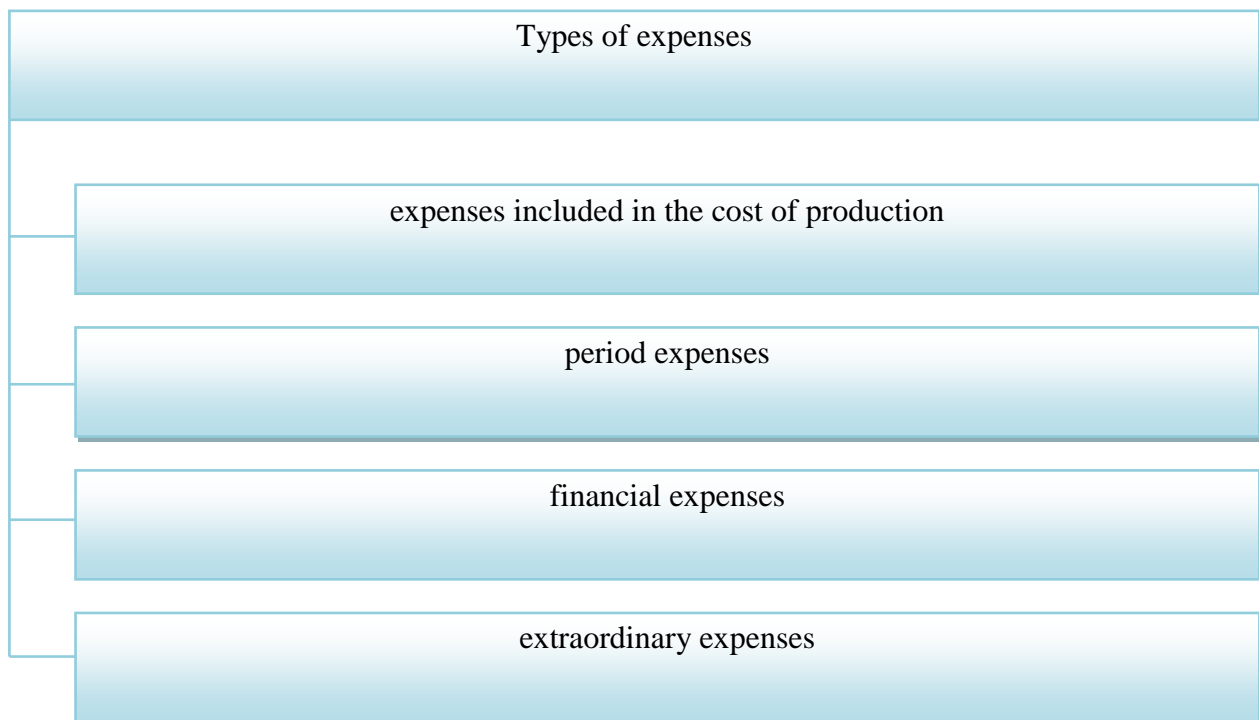
## ANALYSIS AND RESULTS

Paying attention to the meaning and content of the concept of administrative reform, it is worth noting that the reduction of states should not be understood as the same thing as administrative reforms. Administrative reform should, first of all, be aimed at the unreasonably expanding administrative apparatus, eliminating overlapping and redundant administrative functions. In accounting, which is one of the main areas of successful implementation of these tasks, costs, in particular, the costs of maintaining the management apparatus and clarifying their content, maintaining and improving their accounting, are of particular importance. All costs associated with the production of a product in an

enterprise are said to be production costs. They include raw materials, materials, fuel, depreciation, employee wages, and a number of other costs associated with product production.

It is known that cost accounting is grouped according to the following cost elements based on the tasks set before accounting. Depending on the economic position in the production process - basic and permanent; depending on the composition - complex and single-element; depending on the method of transfer to the product cost - straight and curved; depending on the volume of production - variable and fixed; depending on effectiveness - effective and ineffective. Scientists of our republic also note such classifications in their research. Among the cost elements listed above, in our opinion, it is appropriate to classify costs according to the functions of production management, and it is necessary to include the types of production, commercial and administrative costs. In this, it is possible to get complete and accurate information about the participation, role and share of costs in the production process. Based on the obtained information, it is especially useful in making clear management decisions on which type of product to produce more or which type less or stop altogether, whether to buy new equipment, technologies, and other similar issues, especially in market conditions.

In accordance with the "Regulation on the composition of production and sale costs of products (works, services) and the procedure for forming financial results" approved by the decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 54, adopted on February 5, 1999, it is established that the costs are divided into four groups (1-picture).



**Figure 1. Types of expenses<sup>1</sup>**

In addition, expenses for financial activities and emergency expenses are taken into account separately. It is important to study in more detail the composition of total production costs, including

<sup>1</sup> Made by the author.

administrative costs, in economic entities, for proper accounting, financial analysis and control of the economic activity of the enterprise.

One of the important issues of the stage of economic liberalization is to know exactly the composition of administrative expenses and the items of expenses included in it and to improve it. The urgency of this issue is explained by changes in the forms of ownership in the current economy, the creation of companies and corporations, the establishment of many joint ventures with the participation of foreign investments, and the increasing expansion of their international economic relations, etc.

The study of economic literature, the analysis of the situation in practice showed that experts and scientists in this field have different approaches to the issue of the structure of management costs. The procedure for accounting for maintenance costs of the control apparatus was not carried out separately even in the period of the planned economy. This type of cost is included in general workshop and general economic costs within the scope of production service and management costs and is actually taken into account in this order. As it can be seen, the accounting of management costs was reflected in various synthetic charts, and it was not possible to get accurate and complete information about them. As a result, it was difficult to get detailed information about these expenses from a specific report form, because such information was reflected in several sample forms of the annual report, and the necessary information was selected at the cost of excessive labor, and sometimes it was done by processing primary document data. This caused a number of difficulties in having a clear idea of expenses, their analysis and control.

In the current conditions of the economy, periodic expenses are intended for the management of enterprises operating as an economic entity and for ensuring the process of selling their products. The costs associated with these services are not included in the cost of production and are not reflected in the determination of the cost of the product, but are covered by the financial results. Since they do not depend on the volume of product production and sales, but on the contrary, they are related to time, the duration of economic activity, so they are called period costs. In industry regulations, these costs include commercial costs related to the sale of products, administrative costs, as well as general economic costs, including other operational costs, such as research and development costs.

One of the enigmatic and unsolved issues that always causes debate among economists is the item "other costs". According to the regulation on the composition of expenses, several items of administrative expenses are taken into account in the composition of other expenses, regardless of their nature, place and weight. The main drawback of this article is that in practice, some enterprises try to cover up their inefficiencies, inefficient expenses, and unjustified expenses based on their economic content through this article. As a result, certain enterprises try to "disappear", hide these costs, while other organizations spend extra time and effort trying to "find" them.

Another type of cost to pay particular attention to is the cost of maintaining and servicing management equipment, computer centers, and other non-production management equipment.

It is known that management is inextricably linked with the activity of receiving, transmitting, storing, processing and making decisions for the development of an economic entity. The nature, importance and future of management decisions rely on clear, specific directions and quality information on the state of the managed object. As a result of studying and processing this information, new information is created for making management decisions. If this process is considered at the national level, it is not difficult to imagine the amount of information and how many technical tools will be needed to process it in the conditions of rapid development and globalization of the current economy. Because the

introduction of information and communication technologies leads to an increase in economic information and the demand for the quality of such information increases. In the implementation of these works, the need for computing centers and technical means of management also increases. As the level of equipment of enterprises with such technical means increases, the number of management personnel decreases relatively. But with the decrease in the cost of maintaining these employees, the increase in the cost of maintaining and servicing technical equipment is noticeable. Particular attention should be paid to accurate and timely accounting and control of expenses directed to these goals.

In today's practice, it is not appropriate for these expenses to be included in the "other expenses" section of the "administrative expenses" account. Because the costs of using and maintaining technical equipment include depreciation of technical equipment, material, energy and expenses for their current maintenance. The current method of accounting creates some difficulties in the process of quickly and correctly determining and controlling the expenses incurred on them. In our opinion, it is necessary to reflect this type of expenses in a separate account in the chart of accounts, and related business operations should be formalized with primary documents.

## CONCLUSION

1. It is necessary to improve the budgeting procedure of these expenses in order to prevent a sharp increase in the administrative expenses of the enterprise. In particular, if the formation of the budget of administrative expenses is made on the scale of the enterprise or by its structural divisions, the possibility of controlling expenses and analyzing the results of the budget implementation will increase based on its information.
2. Accurate knowledge of the composition of administrative costs and the cost items included in them and its improvement is one of the important issues of the stage of modernization of the economy. The increase in the cost of maintaining and servicing the technical means used in management activities is confirmed in practice. In accounting practice, it is not appropriate to reflect these expenses in the "other expenses" part of the "administrative expenses" account. It is necessary to reflect this type of expenses in a separate account, and formalize business operations related to them with primary documents, and keep these expenses under control at a certain level, which in turn prevents unreasonable increase in administrative expenses;
3. It is necessary to carry out the calculation of production management costs in a clarified (detailed) manner, that is, by functions, and to improve it. Accurate accounting of costs does not increase the costs of accounting and reporting, but also allows to prepare various data on administrative costs, reduce additional labor and time spent on their analysis, and identify the factors affecting the change of these costs.
4. The need to determine and evaluate the performance indicator of the enterprise administration comes from the fact that the development of production, especially in the market conditions of the economy, with the emergence of new management functions (marketing, transactions related to securities), is expressed by the increase in the number of employees of the management apparatus and the increase in the costs spent on them. Taking this into account, we believe that it is necessary to determine the performance indicators of the management apparatus through the internal audit service.

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