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IMPROVING THE ACCOUNTING OF INVENTORY (MATERIAL STOCKS) IN ENTERPRISES.

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Annotation: Inventory (material stocks) constitutes from 30% to 90% of an enterprise's working capital, depending on the nature of its activities. The financial and economic condition of an enterprise largely depends on the efficiency of utilizing these inventories. In every manufacturing enterprise, inventories play a crucial role in ensuring the continuous operation of the production process. Unlike fixed assets, inventories fully transfer their value to the cost of production within a single production cycle. Therefore, the mobility of working capital is directly linked to the effective use of inventories. The total amount of working capital required by an enterprise is determined by higher authorities, namely the relevant ministry.

Keywords: Inventory (material stocks), enterprise, raw materials, materials, warehouse, accounting, costs, reporting, audit.

Introduction.

In the process of Uzbekistan integrating достойно into the global economic community, the operation of small businesses and entrepreneurial enterprises plays a significant role. Especially in the difficult economic period following the COVID-19 pandemic, these enterprises contribute to providing people with jobs and sources of income, encouraging local initiative, promoting entrepreneurial skills among the population, and creating opportunities to showcase national and cultural heritage to the whole world.

To implement these tasks, it is прежде всего essential to develop a clear program aimed at further deepening and liberalizing economic reforms. In this regard, the President of Uzbekistan, Shavkat Mirziyoyev, noted: "According to analyses by the International Monetary Fund and reputable rating agencies, even in the current difficult and complex conditions, Uzbekistan is among the few countries in the world that has been able to ensure financial and economic stability, restore production sectors, and increase economic activity."

He also emphasized that similar views were expressed in the analytical report titled *"Uzbekistan: The Path of Growth"* published by the American investment bank J.P. Morgan. This, in turn, requires all sectors and enterprises operating in the economy of our republic in the post-pandemic period to further increase their production output or service performance indicators, based on market economy requirements and with the aim of generating profit.

In our country, a diversified economy is rapidly developing, in which small businesses and private entrepreneurship play a leading role. Measures aimed at promoting the development of small businesses, the significant simplification of their registration procedures, and, most importantly, the practical implementation of effective mechanisms to protect the rights and interests of entrepreneurs, provide an opportunity to further develop and strengthen the private sector, which has great significance for our economy. In this regard, the President of Uzbekistan, Shavkat Mirziyoyev, stated: "Here, I consider it necessary to provide some information about the structural reforms in our economy and the main macroeconomic indicators."

Between 2017 and 2020, the economic growth rate of our country reached 18.3%, and the gross domestic product amounted to 60 billion dollars. It is important to note that during this period, the volume of foreign trade increased from 24 billion dollars in 2016 to 36 billion dollars in 2020. Industrial production reached 369 trillion soms, representing a 23.4% increase compared to 2016. As a result, the share of industrial products in the gross domestic product rose from 19.5% to 27.4%.

Thanks to the liberalization of the economic sector, including customs regulations, the export volume in 2020 reached 15.1 billion dollars, representing a 25% increase compared to 2016.

The inventory (material stocks) belonging to the entity, including goods in transit, items sent for processing, work-in-progress, raw materials and materials used for production and other economic purposes, as well as the composition, quantity, and movement of labor items included in the working capital, and the procedures for their preparation, purchase, and revaluation, are studied according to established rules and regulations for summarizing this information.

Discussion and Results.

One of the material conditions of production is labor items, commonly referred to in practice as inventories (TMZ). Unlike fixed assets, inventories transfer their full value to the cost of the product within a single production cycle. The standard quantity for each type of material is independently determined by the enterprise. Under the new system of economic management, special attention is paid to strengthening control over the use of material assets, combating the shadow economy, and gradually reducing the share of material costs in the cost of production.

The functions of accounting for materials include the following:

1. Timely recording of all changes related to the movement of materials in the relevant documents.
2. Controlling the proper storage of materials at their designated locations.
3. Monitoring the fulfillment of the material and technical supply plan.
4. Ensuring the correct issuance of materials to production and monitoring compliance with consumption norms.
5. Correctly allocating consumed inventories (TMZ) to calculation objects when calculating the cost of production.
6. Identifying and selling excess or unused inventories to utilize internal resources efficiently.

Materials are classified into two groups based on their role in creating new products:
a) Raw materials and main inventories (TMZ).
b) Auxiliary inventories (TMZ).

The foundation of the products being manufactured is formed by the main inventories (TMZ). For example, in mechanical engineering – metal; in furniture production – wood; in textile production – cotton, and so on. Extractive industries and agricultural products are considered raw materials. For instance, oil, ore, cotton, sugar beet, and others. Parts of machines and units obtained from other enterprises, as well as similar items, are classified as semi-finished products.

Inventory (material stocks) are accounted for in accordance with the National Accounting Standard (NAS-4) approved by the Ministry of Finance of the Republic of Uzbekistan on August 27, 1998, under Order No. 44. In business entities, the accounting of inventories (TMZ) is carried out using the 1000 “Materials” asset account. This account is, in turn, subdivided into several subaccounts.

- **1010** – Raw materials and main inventories (TMZ)
- **1020** – Purchased semi-finished products and components
- **1030** – Fuel
- **1040** – Spare parts
- **1050** – Construction inventories (TMZ)
- **1060** – Containers and packaging materials (TMZ)

- **1070** – Inventories sent for processing
- **1080** – Inventory and household equipment
- **1090** – Other inventories (TMZ)

According to the National Accounting Standard "Inventory (Material Stocks)" (Standard No. 4), inventories are valued at the lower of their cost or net realizable value. The cost of purchasing materials includes the purchase price, import duties and fees, expenses for product certification, commissions paid to suppliers and intermediary organizations, taxes, and other expenses directly related to the acquisition of goods and supplies.

The characteristics of inventory (material stocks) are reflected in the following aspects:

- Depending on the share of materials in the product composition;
- Depending on the role of materials in the production process;
- As a means to ensure continuous production;
- According to Standard No. 4 (NAS-4), in terms of materials in the warehouse and materials issued from the warehouse;
- Based on the accounting of materials in the warehouse;
- According to the procedures for document registration;
- Based on their reflection in the cost of production;
- Through the inventory of materials;
- As reflected in accounting documents.

Inventory (material stocks) must be recorded in the enterprise's accounting balance at cost, which includes all expenses related to their purchase and sale, representing the full cost of acquisition.

A)Customs duties and fees;
B) Taxes and levies related to the purchase of inventory (material stocks);
C) Commission fees paid to intermediaries;
D) Certification costs associated with purchasing inventory;
E) Transportation expenses;
F) Insurance costs for inventory;
G) Loading and handling costs of inventory;
H) Other expenses directly related to the purchase of inventory.

Standardized interdepartmental primary documents are used to record the receipt, internal placement within the enterprise, and issuance of materials from the warehouse.

The **"Incoming Goods Registration Journal" (M-1)** is used to record transport, goods-related, and other documents when receiving incoming shipments from railways, river ports, and transport expedition offices, and for their entry into the warehouse of the business entity.

To determine the total amount of shortages:

1.First, calculate the percentage of the inventory (TMZ) value based on the selling price **without VAT**. For example, for a railway shipment amount of 8,000 soms:

$$\text{Percentage} = \frac{8,000}{60,000} \times 100\% = 13.3\%$$

2.Then, calculate the shortage amount **including VAT**. In this example, the total shortage equals 12,236 soms:

$$\text{Shortage} = 9,000 \text{ soms} + (1,197 \text{ soms} \times 1.20) = 12,236 \text{ soms}$$

When the freight invoice is paid after the goods have arrived, the following entries are made:

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- Debit 1010 account – 57,803 soms
- Debit 6410 account – 11,561 soms
- Debit 6210 account – 12,236 soms
- Credit 6010 account – 91,600 soms

If the goods arrive and the business entity has not yet paid the supplier's invoice, the shipment is recorded as an actual receipt upon delivery.

- Debit 1010 account – 57,803 soms
- Debit 6410 account – 11,561 soms
- Credit 6010 account – 79,364 soms

In accounting, errors often occur when recording transactions for inventories (TMZ) that have not been invoiced or are in transit. If the goods are delivered by the supplier before an invoice is issued or before the order account is specified, these inventories are considered **unbilled**.

Conclusion.

In the accounting of inventory (material stocks), clearly defining the objects of managerial and financial accounting is essential. Based on research, it can be concluded that precise boundaries for this matter have not yet been fully established. This issue is noticeable not only in material costs but also in other accounting objects. Considering the valuation of inventory and improving its audit, the above observations and analyses lead to the following conclusions:

In the context of modernizing the economy, it is important to minimize, as much as possible, the share of raw materials and materials in the cost of finished products obtained at the final stage of the production process. This is because, based on supply and demand, the prices set for these materials (with the cost being the main factor regulating them) determine the marketability and competitiveness of the products.

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