

**ACCOUNTING AND ANALYSIS OF PRODUCTION COSTS**

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**Abstract.** This article examines the theoretical and practical aspects of accounting and analyzing production costs. The economic essence of product cost, the role of costs in enterprise activities, and effective methods of cost management are discussed. In addition, the structure of costs, resource intensity, and factor analysis indicators were studied using the example of “BS TEXTILE FARGONA” LLC. During the research, methods such as scientific abstraction, comparative analysis, deduction, and induction were applied. The obtained results demonstrate that effective management of production costs is an important factor in increasing enterprise profitability, reducing production costs, and enhancing competitiveness. The article also develops scientific and practical recommendations for cost control and optimization.

**Keywords:** production costs, cost price, cost analysis, management accounting, resource intensity, economic efficiency, depreciation, material costs, enterprise profitability, factor analysis, production process, cost management.

The activity of any manufacturing enterprise, whether economic or production-related, is associated with expenditures on raw materials, supplies, fuel resources, energy consumption, employees’ wages and related taxes, depreciation, as well as a number of other necessary costs. Through the circulation process of business activity, these expenses are continuously covered by the enterprise’s total revenue generated from the sale of products (works and services), which ensures the continuity of the production process. In order to calculate the total amount of expenses, enterprises express them in monetary terms and combine them into a single indicator — this indicator is called the cost of production (cost price).

In a market economy, the production cost of goods is one of the most important indicators of an enterprise’s production and economic activity, since calculating this indicator is necessary for the following purposes:

- assessing the fulfillment of the enterprise’s plan and its dynamics;
- determining the profitability of specific types of products (works and services);
- accounting for internal production costs;
- identifying reserves for reducing production costs;
- determining wholesale prices of manufactured products (works and services);
- calculating economic efficiency and introducing new equipment, technologies, organizational and technical measures;
- substantiating decisions regarding the production of new products and the discontinuation of outdated ones.

Usually, enterprise costs are classified into three types and differ according to their indicators:

1. **Direct production cost**, namely material expenses directly related to product manufacturing: depreciation of production equipment and machinery, maintenance and operating costs of such equipment, wages of workers in the main production workshops, social contributions, and other general direct production expenses;

2. **Production cost (finished product cost)**, which, in addition to workshop cost, includes general enterprise expenses (administrative, managerial, and general economic expenses) as well as auxiliary production costs;

**3. Total costs** or the cost of sold (shipped) products, which combines the production cost of goods (works and services) with selling expenses.

In addition to the above, modern economic conditions create differences between planned and actual costs. Planned cost rates and their quantitative indicators for a certain period are determined at the beginning of that period. Actual production cost indicators, however, are determined at the end of the reporting period based on accounting data concerning real production expenses. Research shows that product cost is closely related to production efficiency indicators. It reflects a significant portion of production expenses and depends on changes in production and sales conditions. In accordance with modern requirements, cost analysis usually includes identifying internal production reserves for reducing expenses, and this process is carried out regularly throughout the reporting year.

Managing the production cost of an enterprise is a systematic process of forming the production expenses of all products and the cost of individual products, monitoring the fulfillment of tasks aimed at reducing product cost, and identifying reserves for its reduction.

Accounting for enterprise expenses is one of the most important tools for effective management. As economic activity conditions become more complex and profitability requirements increase, the need for cost accounting also grows. Enterprises with economic independence must have a clear understanding of the return on various types of finished products and services, the effectiveness of each managerial decision made, and their impact on financial results, as well as on the amount of costs.

Based on the above, the relevance of the studied topic lies in the fact that improperly organized accounting of costs in the production of products (works and services), which is an important aspect of enterprise activity, may put the future of the enterprise at risk and lead to serious negative consequences. Since enterprise costs are the main factor limiting income (profit) and at the same time influencing the volume of supply, company management cannot make decisions without analyzing existing production costs and their future value.

The activity of any enterprise engaged in the production of competitive products is of fundamental importance. In this process, investment activity plays a significant role as an effective production factor, including the acquisition of equipment, material and labor resources, and other necessities, which naturally lead to certain expenditures for the enterprise.

At the same time, many scholars and specialists in the field have conducted research and expressed opinions regarding enterprise costs. Among the most common definitions of costs is the following: "Costs are a decrease in assets or an increase in liabilities during the reporting period." This definition can be found in many domestic academic sources because it is provided in National Accounting Standard No. 1, "Accounting Policy and Financial Reporting." This viewpoint is based on the concept of enterprise income, expenses, and profit, according to which "gross profit is manifested as the difference between the actual value of sold products and the costs incurred in their production."

Based on the above, in our opinion, "costs can be defined as the economic expression of the use of production factors necessary for an enterprise to carry out the production and sale of products."

When discussing the organization of cost accounting, it is certainly possible to observe its close connection with management accounting. The fact that management accounting is based on cost accounting is considered one of the factors that led to its emergence. Proof of this idea can also be found in the textbook Management Accounting authored by the well-known scholars of our country, A.X.Pardayev and Z.A.Pardayeva. The emergence of management accounting developed on the basis of organizing and maintaining cost accounting; therefore, its main component consists of production costs for future and past periods in various areas. This

circumstance plays an important role in defining the concept of “management accounting,” which has recently appeared in national economic literature, as well as in maintaining accounting records and using their data in managerial activities. It should be noted that, based on these considerations, a number of our scholars interpret management accounting and cost accounting as an integrated whole.

In general, based on the research topic, when discussing the accounting and analysis of production costs, it can be observed that there are significant differences between enterprises engaged in manufacturing activities and those engaged in other types of activities. This is because production activity is more closely related to supply processes, and its main cost points are based precisely on these processes. For example, in enterprises engaged in sales, trade, or intermediary activities, circulation costs tend to dominate.

In our opinion, simply speaking, costs represent income for the supplying enterprise and expenses for the receiving enterprise; however, for both parties, they serve as a source of profit. Based on this, the essence of enterprise economics lies in comparing costs and performance indicators; therefore, the efficiency of an enterprise can only be evaluated by measuring costs and results.

This article discusses issues related to accounting and analyzing production costs. During the research process, methods such as scientific abstraction, comparative analysis of data, processing of results, deduction, and induction were applied. In addition, economic literature related to the field, scientific journals, and conference materials served as the main sources of information for this article.

In our opinion, the topic under consideration occupies a central place for enterprises, since the production process is regarded as the heart of the enterprise, representing a set of technological operations associated with the creation of finished products and the performance of work. In much of the literature, the production process is linked to three main factors — labor, means of labor, and objects of labor — meaning that the production process arises from the interaction of these factors. Naturally, the participation of these factors in production requires certain costs:

First, it is necessary to regularly purchase material resources in order to ensure the continuity of the production process, resulting in incoming expenses.

Second, enterprise funds (costs) are directly involved in the processing of inventory items, during which products are manufactured and prepared for sale. These include personnel wages, the value of labor objects, depreciation of means of labor used in production, as well as expenses related to servicing and managing production (wages of technical service and management staff, and expenditures for general industrial and administrative needs such as heating, lighting, building maintenance and cleaning, etc.).

Market relations and economic mechanisms create the need to establish and continuously improve a clear system for accounting and controlling real production costs in order to ensure an efficient production process. In our opinion, the main issue in this regard is the accounting and analysis of production costs, since effective analysis serves as a factor in reducing expenses. Thus, in order to draw conclusions about the results of a particular enterprise’s economic activity, we conduct an analysis. For this purpose, we use the data of “BS TEXTILE FARGONA” Limited Liability Company, where the analysis of cost elements is carried out in two forms.

The data necessary for the analysis are obtained from the accounting balance sheet of the limited liability company. It should be acknowledged that, in order to maintain the company’s commercial confidentiality, certain indicators may be presented in a modified form during the calculations. At the same time, indicators for the period of 2021–2022 are considered in the cost

analysis. Thus, for the purpose of analyzing the dynamics and structure of costs, Table 1 is prepared based on the data of “BS TEXTILE FARGONA” Limited Liability Company.

**Table 1.**

**Dynamics of Operating Activities and Cost Structure of  
“BS TEXTILE FARGONA” LLC**

Indicators	2021 Amount	2021 Share (%)	2022 Amount	2022 Share (%)	Change During the Year (Amount)	Growth Rate (%)	Change in Structure (%)
Raw Material Costs	414475	71.61	469064	67.42	54589	13.17	4.19
Labor Costs	115769	20.00	124429	17.88	8660	7.48	2.12
Payments to State Funds	23776	4.11	29694	4.27	5918	24.89	-0.16
Depreciation Costs	5697	0.98	7249	1.04	1552	27.24	-0.06
Other Costs	19080	3.30	65338	9.39	46258	242.44	-6.09
<b>Total</b>	<b>578797</b>	<b>100</b>	<b>695774</b>	<b>100</b>	<b>116977</b>		

Based on the data presented in the table above, several conclusions can be drawn. As in most manufacturing enterprises, raw material costs occupy the largest share, accounting for 67.42% of total expenses. This indicator demonstrates that production has a material-intensive nature. In addition, certain negative trends can also be observed in the company’s activities. In particular, the increase in depreciation expenses (27.24%) and the sharp rise in other expenses (242.44%) attract attention. At the same time, it can also be observed that the company’s revenue growth rate amounted to 27.2%. Nevertheless, it should be noted that the remaining indicators were formed within the normal range.

The main source of income for “BS TEXTILE FARGONA” Limited Liability Company is the profit obtained from product sales. This profit indicator is analyzed using the absolute difference method. In this process, it is necessary to take into account several factors influencing profit:

- production volume;
- costs per unit of product.

The revenue from product sales of “BS TEXTILE FARGONA” Limited Liability Company amounted to 602,193 thousand soums in 2021 and 716,238 thousand soums in 2022, indicating a growth rate of 18.94%.

Based on the research topic, we calculate cost coefficients that allow us to draw conclusions about cost management efficiency and present the obtained values in the form of Table 2.

**Table 2.**

**Analysis of Resource Intensity Indicators of  
“BS TEXTILE FARGONA” LLC**

Indicator Name	2021	2022	Change During the Year
Material Consumption Intensity	0.69	0.65	-0.03
Labor Cost Intensity	0.23	0.22	-0.02
Depreciation Intensity	0.01	0.01	0.00
Resource Intensity of Other Costs	0.03	0.09	0.06

Indicator Name	2021	2022	Change During the Year
Total Resource Consumption of Products	0.96	0.97	0.01

Based on the calculations presented in the table, it can be concluded that almost all indicators of resource intensity are changing in a favorable direction for the company, while only the resource intensity of depreciation and other expenses is increasing.

The changes in cost control indicators do not exceed 10 percent compared to the initial level. This situation indicates that the probability of uncontrolled growth in the company's expenses is low and, consequently, the risk of negative changes in profit is reduced.

It should also be emphasized that we conducted a factor analysis of the operating expenses of "BS TEXTILE FARGONA" LLC, that is, we studied the factors affecting the amount of revenue generated from product manufacturing:

- inflation rate;
- material consumption;
- wage intensity;
- depreciation capacity;
- resource intensity of other expenses.

Thus, after conducting an analysis of the expenses of "BS TEXTILE FARGONA" LLC and performing the relevant calculations, we presented the obtained data in the form of Table 3.

**Table 3.**

**Initial Data for the Analysis of Expenses of "BS TEXTILE FARGONA" LLC**

Indicator Name	2021	2022	Change During the Year	2021 Resource Intensity	2022 Resource Intensity	Change During the Year
Revenue Amount	602193	716238	114045			
Raw Material Costs	414475	469064	54589	0.688	0.655	-0.033
Labor Costs and Payments to State Funds	139545	154123	14578	0.232	0.215	-0.017
Depreciation Costs	5697	7249	1552	0.009	0.010	0.001
Other Costs	19080	65338	46258	0.032	0.091	0.060

As can be seen from the data presented in Table 3, almost all indicators of resource intensity are changing in a favorable direction, while only depreciation and other expenses are increasing.

In addition, for the purpose of conducting a factor analysis of the expenses of "BS TEXTILE FARGONA" LLC, we performed a number of intermediate calculations:

- the inflation rate or price growth index in the reporting year;
- revenue from the sale of goods for the reporting and previous years;
- analysis of indicators by cost elements.

**Table 4.**

**Intermediate Calculations for the Factor Analysis of Expenses of "BS TEXTILE FARGONA" LLC (in thousand soums)**

Indicator Name	Amount
Inflation Rate, %	10.2
Revenue at Comparable Prices	699,451

Indicator Name	Amount
Increase in Revenue Due to Volume	97,258
Increase in Revenue Due to Price Changes	16,787

In the reporting year, revenue at comparable prices amounted to 699,451 thousand soums. In this case, the increase in revenue due to changes in production volume amounted to 97,258 thousand soums, while the increase in revenue resulting from price changes amounted to 16,787 thousand soums.

**Table 5.**  
**Results of the Factor Analysis of Expenses of**  
**“BS TEXTILE FARGONA” LLC**  
**(in thousand soums)**

Factors	Results
Volume	93,480
Resource Prices	16,135
Material Consumption	-23,905
Labor Cost Amount	-11,849
Depreciation	473
Resource Intensity for Other Costs	42,645
<b>Total Impact</b>	<b>116,977</b>

The calculated data confirmed our previous conclusions. In particular, the increase in expenses was mainly associated with the expansion of the organization’s activities, as a result of which expenses increased by 93,480 thousand soums. In addition, the increase in resource prices amounted to 16,135 thousand soums, while the disproportionate growth of depreciation and other expenses amounted to 473 thousand soums and 42,645 thousand soums, respectively. Other factors had a positive impact on costs, particularly those related to material and labor expenses. Overall, compared to 2021, the final increase in expenses in 2022 amounted to 116,977 thousand soums.

As noted above, in a market economy, accounting for and controlling real production costs is one of the most important issues. Creating a clear system of cost management and continuously improving it is considered a strategic task for every manufacturing enterprise. Throughout our article, a cost analysis was carried out using the example of “BS TEXTILE FARGONA” LLC, and the general conclusions in this area are presented below.

Thus, production cost indicators form the basis for making important decisions in the development of pricing policies, product manufacturing, and sales strategies. Almost every enterprise should maintain costs at a rational level and possess the necessary reserves. This, in turn, creates opportunities for increasing economic efficiency and competitiveness. Reducing the production cost per unit enables enterprises to set lower and more flexible prices, thereby providing an important competitive advantage. Therefore, for every enterprise, the analysis and effective management of costs play a crucial role in achieving high economic results.

Above, a cost analysis was conducted using the example of “BS TEXTILE FARGONA” LLC, an enterprise operating in the Fergana region and specializing in cotton fiber preparation and spinning. Based on this analysis, the following general conclusions were reached:

First, according to the calculations, in 2022 the cost of raw materials and supplies increased by 28.3% due to the growth in production volume, while the cost of semi-finished products increased by 2%.

Second, as a result of the modernization of the enterprise's technical base, technical maintenance expenses decreased by 36.4% in 2022. This can be explained by the fact that new equipment requires less technical servicing and repair.

Third, in 2022, electricity expenses increased by 10.5%. This was mainly due to the installation of new equipment with high electricity consumption. Although electricity tariffs did not increase, this factor nevertheless led to a rise in electricity-related costs.

Fourth, in 2022, capital repair expenses for buildings and structures decreased by 44.8%, while transportation expenses increased by 24.9%. In addition, the 27.2% increase in depreciation was explained by the revaluation of fixed assets during this period and the acquisition of new expensive equipment.

Fifth, the increase in employee wages led to a rise in expenses in this area, as well as an increase in taxes and other mandatory payments related to labor compensation.

Overall, in "BS TEXTILE FARGONA" LLC, the growth rate of expenses in 2022 amounted to 17.5%, which did not exceed the 18.94% growth rate of revenue from product sales. This indicates that the company is in a stage of industrial and economic development.

Thus, as a general conclusion, it can be stated that accounting for and analyzing production costs ensures the stable and efficient operation of every business entity. Scientific research in this field contributes to expanding opportunities for the more effective use of production costs.

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