

Problems of Classification and Accounting of Costs and Damages

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Abstract: The article describes the different aspects of the concepts of expenses incurred in the activities of economic entities and losses from activities, the specific features and types of their accounting.

Key words: cost, grouping of costs, capital costs, main costs, financial costs, loss, loss from main activity, loss from financial activity, extraordinary loss.

Introduction. Ensuring the solvency of an economic entity in the conditions of a market economy is one of the main tasks of accounting. In such conditions, it is not enough for the entities to earn income. Because it is important for the economic entity to have the ability to pay for its obligations. Effective business entities must pay their workers on time, settle with suppliers, pay taxes on time, pay interest on debts, invest in their future activities, and provide income to shareholders.

Timely settlement of obligations by business entities directly depends on their ratio of income and expenses (profitability). That is, for this, it is required that economic entities develop measures to reduce the weight of expenses in relation to income during their activities and strictly follow them.

In the conditions of the market economy, the smooth continuous operation and economic development of enterprises depends on the expenses incurred by them and the losses incurred as a result of the activity. In this regard, their recognition and correct reflection in the account is one of the main tasks of accounting. Organization of expense accounts in the Republic of Uzbekistan and their grouping are mainly regulated by the current Law of the Republic of Uzbekistan "On Accounting" and the Regulation of the Cabinet of Ministers "On the composition of costs of production and sale of products (works, services) and the procedure for forming financial results".

Recognition of costs and losses, correct reflection in accounting requires the accountant to first of all understand and describe the essence of these concepts.

Literature review. The Regulation of the Cabinet of Ministers "On the composition of costs of production and sale of products (works, services) and the procedure for forming financial results" describes the grouping of costs and their components in detail.

The concept of expenses and losses is adequately explained in the National Accounting Standard (BHMS) known as "Conceptual Framework for the Preparation and Presentation of Financial Statements", which states that "They are generally the outflow or use of assets such as cash, inventories, plant, equipment, etc. will be in the form of Damages represent a reduction in economic benefits and are not different from other costs by their nature and are not considered a separate part of the conceptual framework"[1].

BHMS 1 (Presentation of Financial Statements) states that "Profit or loss is the result remaining after deducting expenses from total income excluding components of other comprehensive income"[2].

In our opinion, the concepts of expenses and losses are different from each other, and we can see this difference in the way they are incurred, recognized and reflected in the accounts.

Loss is a monetary expression of losses from economic activity.

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It occurs as a result of the expenses of the economic entity exceeding the received income. That is, non-reimbursable (non-reimbursable) costs. It causes a decrease in material and monetary resources.

Methodology. The analysis of scientific literature and normative documents, the definitions and explanations given to the indicators characterizing the costs and damages were studied, and the issues of adapting them to the requirements of the MHXS were methodically researched. Suggestions for improving the accounting of costs and losses are given. The methods of induction, deduction and statistical table and comparative analysis were used in the research.

Analysis and results. Expenses are the form of spending or their use of assets, and the expenses are returned to the enterprise as part of the income from the activity. That is, they will not completely disappear or be removed from the enterprise. We can see the difference between costs and damages in the following characteristics:

firstly, expenses and their individual items are directly related to the type of activity of the business entity, which is manifested in the consumption of assets or their use and is recognized as an expense;

secondly, expenses incurred in economic activity are anticipated, planned and it ensures the income of the economy;

thirdly, the costs incurred in the economic activity are included in the cost object's cost or form a new value of the asset.

Losses mean a decrease in assets, unlike expenses, they cannot be planned in advance and cannot be precisely measured. They are not expected to return to the enterprise's activities, that is, to return to the income structure. That is, they are completely removed from the enterprise and are compensated at the expense of the profit. We can see the different aspects of damages from expenses in the following characteristics:

First of all, losses from economic activities cannot be planned in advance, cannot be precisely measured, and it does not directly ensure the income of the economy. On the contrary, the economy is excluded from the activity;

secondly, damages and their types will not directly depend on the type of activity of the business entity. Perhaps, it is caused by improper organization of management of economic operations and control of funds;

thirdly, the losses from economic activity are covered by the final financial result (profit).

In the 21st BHMS, partially separate accounts were established for accounting of losses, and these accounts did not fully cover the losses that may occur in the course of economic activity. An example of this is the penalty for overdue obligations. In the current chart of accounts, account 9430-"Other operating expenses" is defined to account for this unproductive (non-recurring) cost. Costs can be classified according to different characteristics as an element of financial reporting.

According to which network it is implemented; in construction network, agricultural network, industrial network, service network, motor transport network, etc. is divided into the costs incurred in the networks.

Expenses according to the type of activity; It is divided into expenses incurred for the implementation of the main activity and expenses incurred for the implementation of financial activities.

According to which account objects the expenses are made; can be divided into capital costs, operating costs, period costs and financial costs.

In accounting, it is an important task to plan the expenses incurred for the implementation of the main activity and the expenses incurred for the implementation of the financial activity, as well as to organize their account correctly. Because the weight of these costs has a direct impact on the income received as a result of the enterprise's activity, it determines the future perspective of the enterprise.

Capital costs include the following costs:



- purchase, formation and related costs of basic funds necessary for production;
- purchase, formation and related costs of intangible assets necessary for production;
- purchase, formation and related costs of the equipment to be installed;
- expenses related to the outflow of fixed assets and other assets;
- implementation of capital investments and other costs related to them.

Basic costs include the following costs:

- purchase, transportation, sorting, packaging, storage, delivery and related costs of stock;
- expenses related to calculation and payment of work to workers and servants;
- social tax expenses;
- costs of amortization of fixed assets;
- insurance costs;
- departments serving the main activity (auxiliary, general production and service farms) and their maintenance costs;
- receives period expenses related to the main activity and management of production, service to it.

Expenses incurred for the implementation of financial activities include the following expenses:

- purchase, formation of long and short-term investments and other expenses related to them;
- expenses for long-term receivables and deferred expenses;
- takes expenses related to the purchase of short-term investments and other expenses related to other financial activities.

Losses can also be classified by different characteristics as an element of financial statements.

According to the network in which the damages were seen (occurred); in construction network, agricultural network, industrial network, service network, motor transport network, etc. is divided into the costs incurred in the networks.

According to the type of activity in which the damage occurred; divided into losses from main activities and losses from financial activities, etc.

According to which account objects the losses occurred; losses related to the use of long-term assets, losses related to the use of current assets, losses related to revaluation of assets, losses related to long-term and short-term debt obligations can be divided into.

It is an important task to correctly recognize and account for losses from the main activity and losses from financial activities in accounting. Because the weight of these losses directly affects the final financial result of the enterprise, reducing its net profit. It worsens the financial situation of the enterprise.

Losses from the main activity include the following losses:

1. Losses from long-term assets and their outflow: a) losses from the outflow of fixed assets and intangible assets; b) damage caused by falling out of installed equipment; c) losses from the implementation of capital investments;
2. Losses from current assets and their outflow:
 - a) losses from the sale of inventories and other assets and other unexpected outflows;
 - b) damages related to payment of wages;
 - c) receives unexpected losses on accounts receivable and other losses on the main activity.



Losses from financial activities include the following losses:

- a) losses from long-term and short-term investments;
- b) losses from long-term receivables;
- c) receives losses from exchange rate differences in the formation of authorized capital and other losses incurred in financial activities.

In our view, there are also significant differences between the accounts representing costs and damages. In the current National Accounting Standard of the Republic of Uzbekistan (21-BHMS)-"Financial-Economic Activity Accounting of Business Entities, Chart of Accounts and Guidelines for its Application", accounts accounting for expenses are defined for each cost object, for example, the purchase and modernization of fixed assets asset account 0800-"Accounts accounting for capital inflows" is established to account for the expenses incurred for production, 2010, 2310, 2510, 2710 and other asset or transit accounts for accounting expenses incurred for production. However, the accounts that take into account losses from economic activities are not sufficiently specified in the current 21st BHMS. In the current 21-BHMS, there is only one transit account that takes into account losses from economic activity, and this account is account 9620- "Loss from the exchange rate difference".

One of the indicators that further develop economic entities and improve their activities in the market economy is the indicator of its net profit. In order to have a high level of profitability, enterprises expand their activities, depending on the demand and supply of goods, works, services in the market, and in some cases even change them. Expansion and changes of this type of activity require the owner of the property to take a lot of risk, which in turn leads to the occurrence of unexpected losses as a result of economic activity or, on the contrary, unexpected profit. In this regard, in order to ensure that property owners and interested parties distinguish between costs and losses and have sufficient information about them, 9700- "Extraordinary profits (losses)" placed in Part V of the chart of accounts - "Formation and use of financial results" We consider it appropriate to change the name of the account" to "Accounts for losses and extraordinary profits (losses)" and to include the following accounts for losses in this account:

9710 - "Accounts accounting for losses on the main activity" as part of the transit synthetic account:

9711 – "Loss from the sale of inventories and other assets and other unexpected outflows";

9712- "Damages related to payment of wages";

9713- "Takes unexpected losses on accounts receivable and other losses on the main activity".

9714- "Damage caused by the outflow of fixed assets and intangible assets";

9715 – "Damage caused by falling out of installed equipment";

9716 – "Loss from the realization of capital investments";

9719 - "Other damages incurred by the main activity".

9720- "Accounts accounting for losses from financial activities" as part of transit synthetic account:

9721 – "Loss from long and short-term investments";

9722- "Loss from long-term receivables";

9723 - "Damages from exchange rate differences in the formation of authorized capital";

9729 - "Other losses on financial activity".

9730 – "Extraordinary profit".

9740- Extraordinary damage”.

The introduction of these accounts slightly eases the tasks performed by the account 9430 - "Other operating expenses" and ensures that the unreimbursed (irreversible) costs of account 9430, that is,



unexpected losses, are taken into account. It also allows you to quickly determine the costs that will be added back to the profit tax. Eases accounting work.

Conclusions and suggestions. In short, the main goal of economic entities is to obtain the planned profit margin. Obtaining the planned rate of profit largely depends not on the increase of income, but on the reduction of costs, the prevention of unforeseen losses, and the correct organization of their classification, recognition and accounting is one of the main issues of accounting. The correct organization of cost and loss accounting provides an opportunity to correctly determine profits, as well as to analyze them and reduce costs and prevent losses in the future. For this reason, scientific study of cost and loss calculation and improvement of their accounting are urgent issues.

According to the results of the studies, the following proposals are recommended for the purpose of correctly classifying the costs and losses of the economic entity, organizing the accounts, reducing them and preventing losses:

- proper organization of their accounts by correctly classifying the costs incurred in economic activity and losses incurred;
- to ensure correct inclusion of expenses in account objects, control, as well as correct reflection and recognition in accounts;
- by correctly organizing the account of the losses, analyzing them and preventing future losses from occurring;
- application and improvement of the elements of the accounting system in practice in order to bring the accounting of costs and losses incurred in the economic activity closer to the accounting system.

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