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IMPROVING THE METHODOLOGY OF THE PROSSES COSTING SYSTEM IN COST ACCOUNTING

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Abstract: The preparation of reliable and truthful information about the cost of production at enterprises is the main factor in making decisions on quality management. The most important indicator in the production of competitive products is its cost. Today there are challenges related to importing products, reducing costs and expenses, and localizing production. In the activities of large enterprises operating in our country, including Uzbekistan Automotive Industry JSC, Uzbekistan Oil and Gas JSC, Navoi Kyzylkum Cement JSC, Navoi Mining and Metallurgical Plant JSC, Uzbekistan Industrial Construction Materials JSC and other companies, waste reduction, international best practices, and extensive use of existing opportunities are pressing issues.

Keywords: product cost, production, enterprises, international standards, costs, technological cost, processing cost.

INTRODUCTION

Calculating product costs in accordance with international standards is a requirement of the time. To calculate the cost of a product according to international standards:

- Regulations of the Republic of Uzbekistan “On the composition of costs for the production and sale of products (works, services) and the procedure for generating financial results” and the NAS standard No. 4 “Inventories”, aimed at determining the need to improve the cost of inventories in accordance with the requirements of international standards;

- it is necessary to review the materials included in the price of the product. To do this, the company needs to determine in its accounting policies the cost elements included in the cost of production;

- “Actual cost”, “standard cost”, “variable cost (direct cost)”, “absorption costing”, “order costing” and “process costing”, used in developed countries to calculate the cost of products (works, services) or systems and development of their methodology.

Therefore, the introduction of advanced cost calculation methods is a very pressing problem. In this article we will look at the methodological issues of using process costing (PROCESS COSTING), which is one of the mentioned approaches.

Research results and analysis. T. A. Golovina “at the point of cost occurrence, three products are produced - A, B and C. Analysis shows that the cost at the moment of occurrence of product B is 20% higher than that of product A, and that of product C is 20% less than for product A. Therefore, the equivalent sum for establishing connections between them is 1 for product A, 1.2 for product B and

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0.8 for product C". A scheme is proposed for calculating the cost of a unit of production, taking into account the equivalent quantity, indicating the coefficients. We completely agree with this author's proposal. However, when converting unfinished products into finished products, it is advisable to use an equivalent unit of production.

The CIMA Institute defines process costing as follows: “Process costing is a method used to produce goods or services through a series of continuous or repeating operations or processes. The cost of units produced during an accounting period is determined and added to the original operation or process".

Process costing is a widely used type of costing. With this method, the cost of production is formed in each technological process of product preparation. A product cannot be transferred from one process to another without complete product preparation. In parallel with the preparation process, the process of accumulation of production costs is carried out, that is, the cost of the product increases. It is necessary to determine direct and indirect costs for each technological process. The sequence of implementation of process costing can be shown in the following figure (Figure 1):

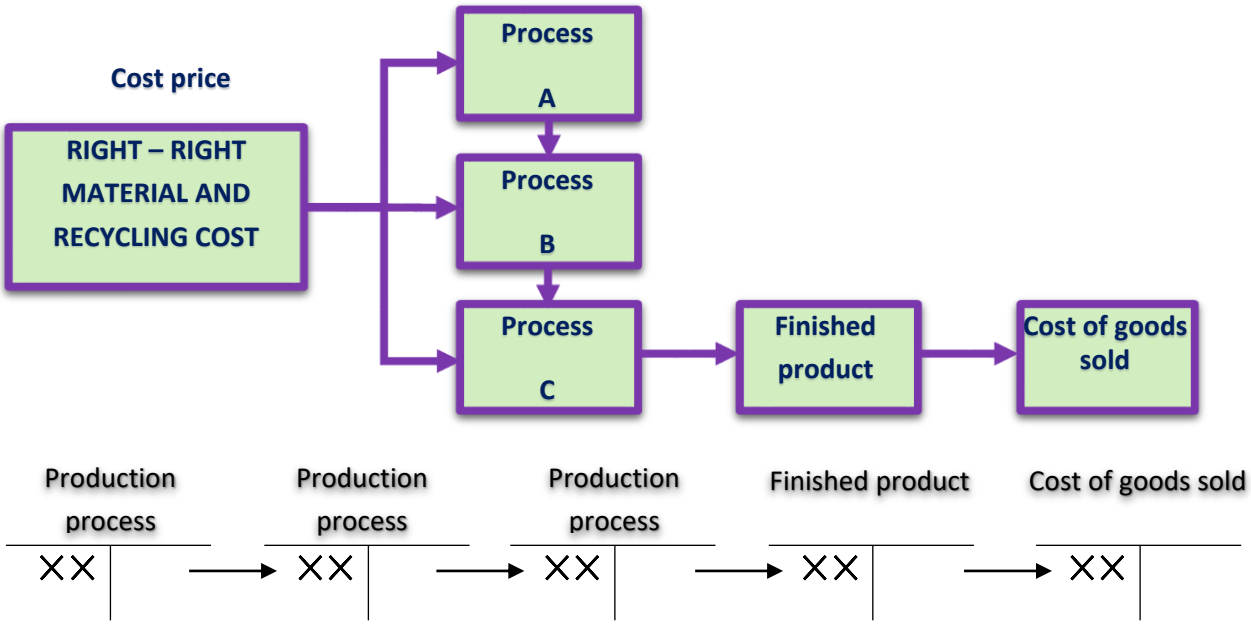


Figure 1. Formation of cost during the costing process.

Determining the level of readiness of items is associated with certain difficulties. For example, the cost of materials is transferred to the product at the beginning of the process, increasing labor costs and manufacturing overhead. Therefore, it is necessary to calculate the cost of production for each cost component. For management accounting purposes, the cost of processing is taken to be an indicator covering the sum of labor costs and production overhead costs.

Main part: The accounting records are similar in terms of technological costs. However, there will be more than one workflow account in this system. The main accounts in the perpetual accounting system will be the following:

1. In the continuous accounting system, direct materials were released into production:

Debit Production process – Process A.....485,648,400 soums

Credit Material reserves.....485 648 400

Base: Use of direct materials in the amount of 485,648,400 soums for production purposes.

2. Direct labor costs in the production process were transferred to technological cost A:

Debit Production process – Process A.....348 524 600 soums

Credit Salary obligations.....348 524 600

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Base: Production personnel directly involved in process A were paid 348,524,600 soums.

3. The portion of indirect labor, indirect materials, accumulated equipment depreciation, and other overhead costs allocated to Process A:

Debit Production process – Process A……..115 846 345 soums

Credit Manufacturing overhead ……..…115 846 345

Base: The amount corresponding to process A based on the norms for the distribution of overhead production costs amounted to 115,846,345 soums

4. Production process A has been completed and the product has been transferred to process B for processing:

Debit Production process – Process B.....950 019 345 soums

Credit Production Process - Process A ……950 019 345

Base: Process A is completed, the cost of production is completely transferred to Process B, and there are no residuals left in Process A. Cost of process A (485,648,400 + 348,524,600 + 115,846,345 = 950,019,345)

5. In the production process, direct labor costs were converted to the cost of process B:

Debit Production process – Process B.....150 448 750 soums

Credit Salary obligations.....150 448 750

Base: Production personnel directly involved in process B were paid 150,448,750 soums.

6. Cumulative amortization of indirect labor costs, indirect materials, equipment, and other manufacturing overhead costs allocated to process B:

Debit Production process – Process A……..50 485 600 soums

Credit Manufacturing overhead ……..…50 485 600

Base: The amount corresponding to process B based on the norms for the distribution of overhead production costs amounted to 50,485,600 soums

7. In process B, the finished product is delivered after the processing process is completed:

Debit Finished Products ……. 1 150 953 695 soums

Credit Manufacturing process - process B …….1 150 953 695

Base: The full cost of process B is determined and supplied as finished products, products after process B are not processed, all processes are completed, the products meet the requirements of finished products. The cost of finished products is 1,150,953,695 soums (950,019,345 + 150,448,750 + 50,485,600).

As can be seen from the above examples, one of the main issues in the costing process is to determine the cost of production of each process and the value of the product remaining in the process. If units in inventory are partially completed, the process costing system should separate products that have been fully completed and transferred to another process from those that have not been fully completed and released.

Work in progress also includes work in progress. Therefore, process costing must be able to show calculation methods, distinguishing between the cost of products that are fully finished and released into other processes, and partially finished, but not released from the process.

In order to find answers to these questions, we propose a methodological procedure for implementing process costing, consisting of the following five steps. (Note: This methodological procedure is presented in the text of the report we published. We will consider the application of the proposed methodological procedure using practical examples of enterprises):

- **First stage:** Calculation of the physical number of units of goods;
- **Second stage:** Determination of the number of equivalent units to calculate the cost per unit of production by cost items;

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- **Third stage:** Determination of unit cost and total cost by cost items based on production process accounting information;
- **Fourth stage:** Calculation of equivalent cost per unit of production;
- **Fifth stage:** Distribution of costs between completed objects and work-in-progress objects.

The processes implemented at the first and second stages are presented in Table 1.

Table 1

Physical quantities of units and calculation of equivalent units[1]

Product flow	**Stage 1. Physical units**	**Stage 2. Equivalent unit**	
		Straight material	**Processing costs**
Initial and Completed	15800	15800	15800
Production process at the end	2200 (50%)*	2200	1,100**
Units of measurement used for calculation	18000	18000	16900

* It describes the level of process units present at the end of the production process.

** 2200 physical units x 50% realized share of processing costsy ($\frac{2200*50\%}{100\%}$=1100)

Stage 1 – physical and equivalent units of measurement. This table shows the movement of physical units of production in the first stage. In April, 15.8 thousand units were fully completed and transferred to another process, 2.2 thousand units were partially completed. Partially completed objects cannot be equated to fully completed objects. Therefore, it is advisable to measure a unit of output not in physical units, but in equivalent units.

In Table 1, the equivalent unit of direct material cost shown in Step 2 is estimated at 18,000 units, and the equivalent unit of processing cost is estimated at 16,900 units. Thus, ½ of the processing costs are added to the final balance of the production process.

Conclusion.

In this period, when calculating the unit cost of production, two alternative options for distributing initial inventories for the current reporting period are used:

1. Weighted average method (AVECO method) - in which work in progress at the beginning of the reporting period is considered to be fully involved in production and is included in the cost of finished products and work in progress at the end of the reporting period is considered as the reporting period.

2. FIFO method - in which work in progress at the beginning of the reporting period is considered to be the first processed and finished unit of production in the reporting period.

The successful application of process costing, widely used in the international practice mentioned above, in the practice of enterprises serves to generate reliable information about the cost of a unit of production.

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[1] Practical examples of El Holding LLC

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