

IMPROVING ACCOUNTING FOR COSTS BY ORIGIN AND RESPONSIBILITY CENTERS

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Abstract: This article discusses the issues of organizing and improving accounting for costs by origin and responsibility centers in order to appropriately determine responsibility for the rational use of production resources in the conditions of an innovative economy.

Keywords. "Place" and "center" of costs, cost group, responsibility center, internal corporate governance, "degree of freedom" in divisions within the enterprise, business segment, segmental reporting.

Introduction. In the context of our country's integration into the global economy, the intensification of competition necessitates a serious and systematic approach to compliance with commercial confidentiality regulations among enterprises. Accordingly, it is considered appropriate to conduct accounting and economic analysis at two distinct levels. Financial accounting and analysis are intended to meet the informational needs of external users, whereas managerial accounting and analysis are tailored for internal users. The latter operates within the framework of corporate governance and encompasses accounting and analysis activities related to commercial secrecy. Given the current era of rapid reforms, the adoption of effective and well-reasoned management decisions has become an objective necessity for enterprises striving to ensure their stable and sustainable development.

In such circumstances, the role of accounting increases significantly, as it not only involves comparing incurred expenses with the revenues generated, but also requires comprehensive accounting of how effectively each unit of currency is utilized in the enterprise's operational, investment, and financial activities.

Organizing accounting in enterprises according to contemporary requirements, accurately determining product cost, and further improving the accounting of production expenses are essential demands of a market economy.

Since the beginning of economic reforms, our republic has entered a new stage of development. This, in turn, necessitates a number of changes in the economic sphere, including in the accounting and analysis of expenses. Furthermore, tasks have been set to establish and develop national production, as well as to reduce production costs and product cost price, and to organize their analysis.

In Uzbekistan, measures are being developed to organize and improve managerial accounting of production costs in grain processing enterprises, aimed at enhancing the operational efficiency of business entities and implementing these practices based on international standards.

Due to the closed technological conditions of the production process in grain processing enterprises, the importance of the rational use of production reserves is increasing. This necessitates the proper assignment of responsibility and the correct organization for the efficient utilization of equipment, machinery, and material resources.

The management of reserves, their consumption, and rational use require that the functional roles of managerial staff, specialists, foremen, and workers be clearly defined, incorporated into job responsibilities, and assigned accountability. Such responsibility is an objective

necessity and can only be effectively implemented when information about expenses—linked to various employees according to service areas, production units, cost centers, and locations—is available.

Cost centers are also important objects for expense accounting within an enterprise and usually consist of primary production or service units. They differ in terms of their functions, uniformity of production processes, level of technical equipment, and methods of labor organization.

The concepts of “cost location” and “cost center” are not equivalent. In accounting theory, there is no precise definition of the boundaries between points of origin and cost centers. A cost center can be viewed as the aggregate of primary cost centers within the production sector. If it is impossible or impractical to identify costs in greater detail, these concepts tend to coincide.

A more detailed identification and breakdown of costs, strengthening control over expenses, and improving the accuracy of calculations are carried out for these purposes. As an accounting object, a cost center not only allows for the grouping, monitoring, and execution of various management functions related to expenses, but also serves as the basis for establishing a high-level analytical accounting system.

From a general perspective, cost centers serve as the locations where expenses are incurred; however, as objects of cost accounting, they differ from these locations based on the purposes of grouping and the characteristics of the objects being grouped.

RESEARCH METHODOLOGY

In the research, data were collected from the financial statements of enterprises, information on production costs, and sectoral statistical sources. For analysis, economic and mathematical methods such as correlation and regression analysis, as well as cluster analysis, were applied. In order to measure the impact of costs on product cost and to identify influencing factors, a time series analysis was also conducted.

LITERATURE REVIEW

Issues related to cost accounting and managerial analysis have been studied by A.F. Aksyonenko, M.I. Bakanov, M.A. Vakhrushina, A.N. Kashaev, A.D. Sheremet, K. Drury, D. Williamson, Ch.T. Horngren, J. Foster, R. Anthony, J. Rees, and others. In this field, scholars from our country such as A. Karimov, B. Hasanov, M. Pardaev, T. Shagiyasov, B. Isroilov, A. Ibragimov, M. Rakhimov, Z. Sagdillaeva, I. Choriev, and N. Kalandarov have paid special attention in their scientific research to improving cost accounting and analysis by responsibility centers.

The concept of cost accounting by responsibility centers originated from the need to improve internal corporate governance. Accounting by responsibility centers is a system that reflects, processes, and monitors planned and actual data related to the inputs and outputs of a responsibility center. The fundamental concept of this system is the cost center concept. A cost center is a unit of an enterprise where information on the purchase (input) of certain types of assets and production costs is accumulated. Often, lower-level structural subdivisions—such as teams, production sites, or workshops—function as cost centers.

A key characteristic of the cost accounting system by responsibility centers is that the performance of each individual manager is evaluated based on the results achieved in the area for which they are responsible. For example, a workshop manager cannot determine the salary of the enterprise

director, so some expenses do not pertain to their workshop. The operation of the cost accounting system by responsibility centers is based on the principle of controllable and uncontrollable costs.

A cost center refers to a detailed grouping of expenses that enables the effective execution of management functions. The unit considered as a cost center may correspond to a specific type of product (or its part) produced by the enterprise, a particular expense item, a technological process, a specific operation, or another type of activity. Grouping expenses by such criteria allows for comprehensive information about both the costs and the factors influencing them.

The selection of cost centers depends on the significance of the problems being addressed within the enterprise and determines the analytical cost accounting model. Establishing multiple cost centers within an enterprise's accounting system indeed strengthens cost control and reduces the share of indirect costs allocated to cost calculation objects, thereby improving the accuracy of cost determination.

In conditions where modern automation and computer technologies are highly advanced, the identification of cost centers within an enterprise does not complicate accounting processes. On the contrary, it contributes to enhancing the efficiency of the information system. Opportunities to obtain useful additional information about costs for management purposes are expanded.

By using statistical methods to study grouped costs by cost centers, it becomes possible to identify factors influencing the value and behavior of costs, as well as to detect trends specific to individual cost centers that may be insignificant for others.

ANALYSIS AND RESULTS. Cost accounting and analysis by responsibility centers is a system aimed at measuring and evaluating the fulfillment of indicators specified in the current and future budget plans of an enterprise. It also determines the conformity of the results achieved by each division to the planned values. When the status of a responsibility center is clearly defined, any deviation from the planned indicators is recorded not only at the place of occurrence but also at the level of the responsible person (manager).

The concept of accounting and analysis by responsibility centers enables the application of various targeted functions in different divisions, thereby helping to organize a more effective material incentive system within the enterprise. This approach is especially important for accurately measuring and evaluating the contribution of different divisions to the overall financial results of the enterprise.

The degree of autonomy varies among divisions within the enterprise. For example, the head of a production department may be granted the authority to independently determine the product composition, volume, and cost structure.

When organizing managerial accounting by responsibility centers in business entities, it is essential first to pay attention to the types of these centers and their specific characteristics. The goal is to separately consolidate the expenses and revenues related to each division's activities and to assign any arising deviations to the responsibility of these divisions.

Responsibility centers are one of the key objects in managerial accounting practice. Their main function is not merely to strengthen control but to assist employees in self-management.

Based on the operational regulations of grain processing enterprises, they also engage in "grain processing as well as supplying the population with other types of food products (bread and bakery

products, pasta, cereals).” This activity is carried out by subsidiary enterprises that are part of the enterprise’s structure. Therefore, segment reporting holds significant importance.

As a result of grain processing, both primary and secondary products are obtained. For example, the processing of wheat results in the production of various types of flour, as well as by-products such as bran, grain mixtures, grain waste, and unwanted residues. This necessitates conducting an analysis by types of products.

According to Professor B. Khasanov, “A business segment is the allocation of a certain part or relatively independent division of an enterprise for the purpose of assigning specific authorities and responsibilities.”

“Managerial accounting, taking into account the organizational structure of the enterprise, consists of a set of various responsibility centers (business segments).”¹.

M.A. Vakhrushina identified segment reports as the primary source of information for conducting managerial analysis. According to her, “Managerial analysis is not only a type of economic analysis but also one of the elements of managerial accounting. Business segments, which are the objects of managerial accounting, along with their past and future results, are also the objects of managerial analysis. A segment is the main unit of managerial accounting allocated to obtain reporting and forecasting information.”².

Table 1. Segment Reporting of Expenses by Responsibility Centers in a Grain Processing Enterprise (in thousand soms)³.

T.r	Indicators	I-III Total by quarters		Year-to-date total	
		Plan	Actual	Plan	Actual
	1	2	3	4	5
1.	Grain Storage Capacities (Warehouses, Elevators)	956849	+36278	1245689	+48412
2.	Flour Production Workshop	1446218	-24569	1638756	-29563
3.	Compound Feed Production Workshop	765432	+19821	923165	+26518
4.	Total by workshops	3168499	+31530	3807610	+45367
5.	General Production Expenses	168325	+3289	204516	+4981
6.	Total for the enterprise	3336824	+34819	4012126	+50348

The data in the table holds particular importance for conducting comparative analysis of enterprise segment costs and developing strategies for their reduction. Segment reporting is an integral part of management accounting, encompassing prompt and current reporting formats on

R.B.Xasanova., Boshqaruv hisobida transfert baho va segmentar hisobot uslubiyoti, monografiya, -Angliya .: “Globe edit”.2021.-153 b. (b.37)

² Вахрушина М.А. Управленческий анализ: учебное пособие для студентов, обучающихся по спец. “Бухгалтерский учёт, анализ и аудит”/ -6-е изд, испр. – Москва: Омега-Л, 2010. – 399 с.

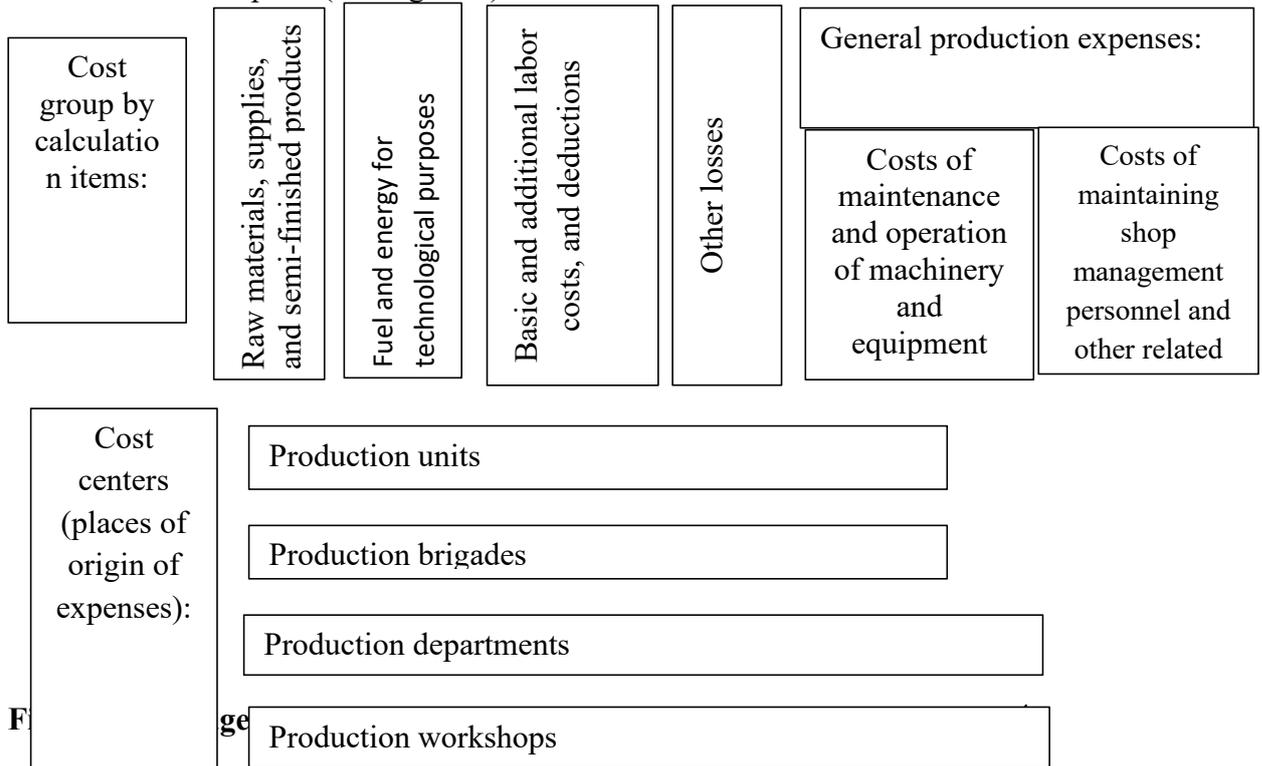
³ Author’s development based on research results.

revenues, expenses, and financial results designed for effective management of responsibility centers.

In our view, responsibility centers within an enterprise should be established according to the following requirements:

- They must correspond to the enterprise’s production and organizational structure;
- Provide the necessary basis for accounting and allocation of activity volumes and expenses within responsibility centers;
- Clearly define the authority and scope of responsibility of each responsibility center manager, with the manager accountable only for the indicators they can control;
- Implement internal reporting formats for each responsibility center;
- Ensure responsibility center managers actively participate in analyzing past performance and developing plans (budgets) for the upcoming periods.

It is essential to carry out planning, standardization, and accounting of expenses within these centers in the enterprise (see Figure 1).



The above diagram allows for planning expenses within different divisions. Based on this, it is advisable to organize cost accounting efficiently within the enterprise. The implementation of management accounting by responsibility centers indicates that when evaluating the performance of each division, it is necessary to set the expected profit amount for that unit. In such conditions, establishing profit centers plays an important role.

In our opinion, when identifying responsibility centers, it is necessary to consider the enterprise’s technological structure and divide it into horizontal and vertical components (see Figure 2).

⁴ Author’s Work Based on Research Findings.

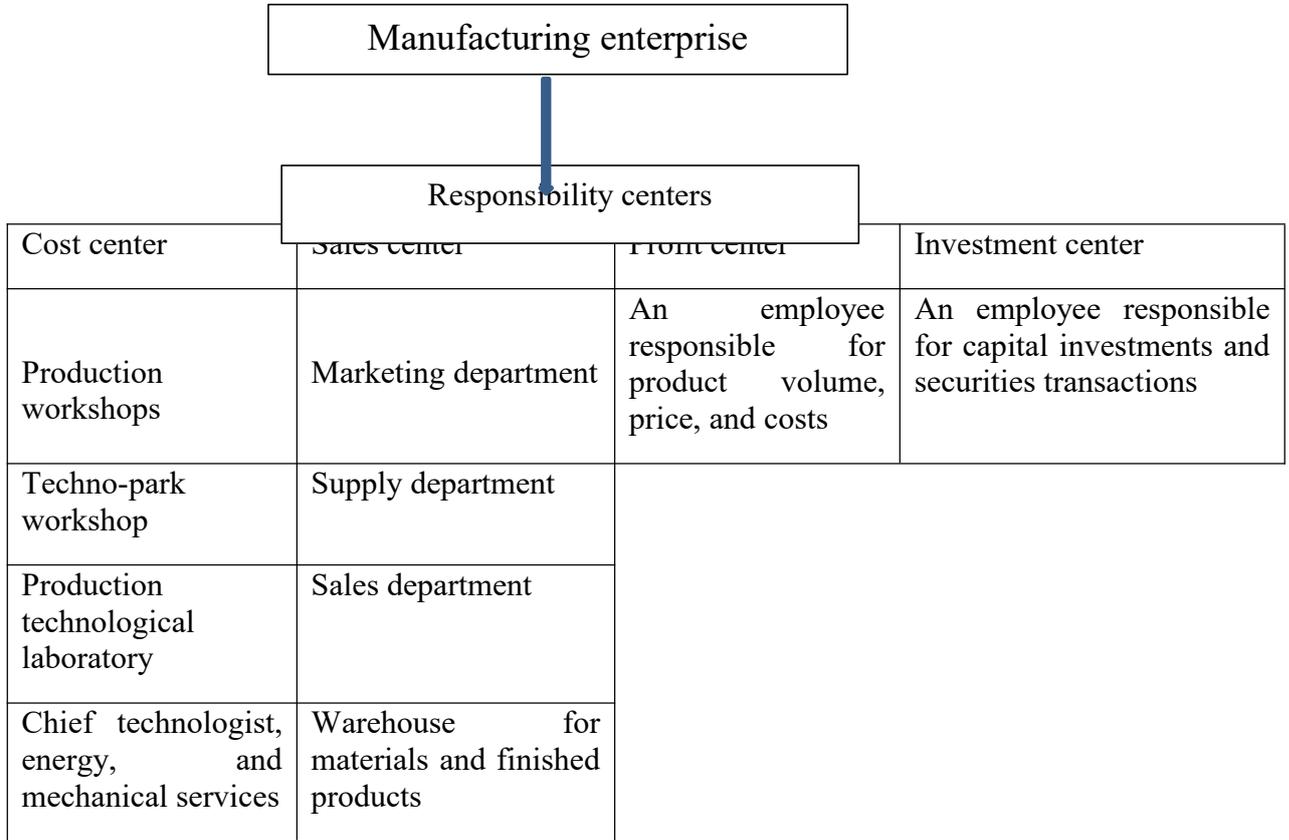


Figure 2. Technological Structure of Responsibility Centers⁵

By dividing the enterprise into responsibility centers, it is possible to:

1. Apply specific methods of cost management taking into account the characteristics of each division's activities;
2. Ensure consistency with the organizational structure of the enterprise;
3. Centralize and control costs at all stages of management;
4. It becomes possible to designate responsible persons for the occurrence of costs, revenues, and profits.

CONCLUSION AND RECOMMENDATIONS

The main features of the cost management system are as follows:

- Each manager is responsible only for the indicators they can control;
- Internal reporting documents are personalized;
- Managers actively participate in preparing past period reports and future plans.

When dividing the enterprise into responsibility centers, attention should be paid to the following conditions:

- Clearly define the criteria for measuring activity volume and allocating costs;
- The responsibility center must have a responsible manager;

⁵ Author's work based on research results.

- Define the scope of authority and responsibility;
- Work with sufficiently detailed, but not excessive, information for analysis;
- There should be responsibility centers for direct costs;
- Form centers in a way that considers socio-psychological factors and positively affects motivation.

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