

Improvement of Inventory Accounting In Budget Organizations

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Abstract – This article provides a theoretical basis for the need to keep inventory in budget organizations. The order of organization and maintenance of inventory accounting in budget organizations, the reflection of the movement of inventories in the reports. Research was conducted to identify existing problems by analyzing the current state of inventory accounting in budget organizations. Scientific proposals and recommendations have been developed to improve the accounting of inventories in budget organizations through the introduction of international standards of financial reporting in the public sector in the accounting of budget execution of the budget system.

Keywords – Budget Organization, Budget Account, Budget Accounting Standard, Budget Report, Financial Report, Inventory, Cost Estimate.

I. INTRODUCTION

The implementation of socioeconomic reforms in Uzbekistan is the foundation for the current radical transformations, which are yielding results in all fields. The implementation of reforms in the public sector, in particular, necessitates further development of the organizational and methodological framework in this area, as well as the adoption of international standards in our national economy based on a thorough examination of international experience.

Increasing the powers and accountability of budget allocators and local governments in the field of budget and accountability, targeted and rational use and saving of budget funds, strengthening budget discipline, strengthening the system of accountability for the use of budget funds, transparency, completeness, and completeness of budget information, and compliance issues will be given special attention.

As the head of our state Sh.M.Mirziyoev (2017) noted, “successful implementation of economic reforms and social changes in public finance management depends, first of all, on the efficiency of economic and financial bodies”.

It is required to gradually modify the accounting and control of inventories in budget organizations in order to meet the criteria of the country's budget system on the logical and efficient use of money.

It also necessitates a comprehensive examination of the issue of strengthening material accounting in budget organizations in order to ensure more targeted and sensible use of budget money, as well as the completion of a research paper on the subject.

II. LITERATURE REVIEW ON THE SUBJECT

Budget organizations require inventory in order to complete the tasks that have been assigned to them. To begin, it is necessary to examine the definitions of inventories provided by our country and other foreign experts in order to fully comprehend inventories.

According to foreign scholars Z.I.Kruglyak and M.V.Kalinskaya (2014), inventories are a key element of the organization's economic activity and play an important role in determining the financial condition and economic potential, as they have a large share in the assets.

According to M. Hayitbaev (2019), inventories are held in the normal course of operations for the purpose of subsequent sale and are available in the production process, as well as in the process of producing a product, performing work or rendering services, or to perform administrative and tangible assets used in socio-cultural functions.

According to S.U.Mehmonov, D.Y.Ubaydullaev (2013), the service life of inventories is not more than one year or used during one operating cycle, including construction and repair materials, food, fuel and fuels, feed and fodder, containers, agricultural products and industrial products, livestock for breeding and feeding, materials for educational, scientific and other purposes as well as laboratory-tested, long-lasting materials, and special equipment for contract research and others.

According to the scientist M.Ostanakulov (2008), it is required to properly structure the warehouse account in order to establish the integrity and calculation of material values. The storage of material values should be done in a specially designed structure (warehouse). The materially responsible personnel chosen by the organization's order are accountable for the reception, storage, and transfer of items.

When inventories are purchased in foreign currency, the value of purchased inventories is established by converting foreign currency into national currency at the exchange rate on the day of the transaction, according to E.A. Mizikovsky and T.S. Maslova (2007).

III. RESEARCH METHODS

During the research, scientific methods of studying the processes of economic reality were used: generalization, grouping and comparison, monographic research, economic analysis, statistics, abstract-logical thinking, comparative comparison, observation, theoretical and practical study, factor analysis, prospective forecasting and others.

IV. ANALYSIS AND RESULTS

Property, plant and equipment with a service life of not more than one year or used during one operating cycle, including construction and repair materials, food products, fuel and fuels, feed and fodder, containers, agricultural products and industrial products, livestock for breeding and feeding, materials for educational, scientific and other purposes as well as laboratory-tested, long-lasting materials, and special equipment for contract research and other assets.

Regardless of the service life and cost, the following inventory and farm equipment are included in the inventory:

- a) special tools and devices (targeted tools and devices for mass and mass production of certain items or for the preparation of individual orders);
- b) special and sanitary clothing, special shoes;
- c) beds;
- d) writing and drawing equipment (calculators, desktop tools, etc.);
- e) kitchen inventory, as well as tablecloths;
- f) temporary (non-titled) structures, devices and devices, the cost of which is included in the cost of construction and installation work;
- g) replaceable equipment with a service life of less than one year;
- h) hunting weapons (trawls, spreading nets, nets, tools, matraphs, etc.).

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In budget organizations, the balances on materials at the end of the fiscal year are analyzed on the basis of established criteria. If the residual value of materials at the end of the fiscal year of the budget organization exceeds the established limit, the amount included in the cost estimate for the next fiscal year for the purchase of materials is reduced by more than the norm. Indicators for determining the established norms of inventories are given in the "Rules of formation and execution of the State Budget of the Republic of Uzbekistan" (2002) (Table 1).

Table 1. Indicators set to determine the established norm of inventories¹

№	The name of the inventory	Defined day norms
1	Food products (excluding seasonal cooking)	15 days
2	Seasonal food products	150 days
3	Medicines, reagents, binders and pharmacy supplies	60 days
4	Fuel for all budget organizations (except children's and medical institutions)	75 days
5	Fuel for children and medical institutions	90 days
6	Household and office supplies	45 days
7	Materials for educational, scientific and other special purposes	120 days
8	Fodder and fodder hay	120 days
9	Construction and repair materials	45 days

During the year on sub-accounts 060-069 of the report "On the movement of intangible assets" to determine the norms of the balance at the end of the year on materials the number of days in the heating season for fuel and lubricants (basically a 5-month heating season - 150 days), taking into account the cost of materials used for the needs of the organization, the amount indicated for each group of food products in medical institutions is divided by 360, for other budget organizations, the materials and food consumed for organizational needs are divided by 305 for each group and the result is multiplied by the daily norms set by the materials. The result is the norm and is compared with the balance of sub-accounts 060-069 of the balance. If the balance of materials exceeds the norm, the same amount will be returned to the next year's cost estimate to finance the amount of material costs.

Inventories are kept in the accounts 06 "Other inventories". The debit side of these accounts reflects the write-off of goods and materials at the actual cost, the credit side. In the account 06 "Other inventories" purchased construction materials, food products, medicines and dressings, fuel, lubricants, purchased at the expense of funds allocated for research on the basis of economic contracts. materials and other inventories used for a long time are taken into account in the inspection.

The account 06 "Other inventories" is reflected in the account divided into the following sub-accounts:

- 060 "Building materials";
- 061 "Food products";
- 062 "Medications and wound dressings";
- 063 "Inventory and farm equipment";
- 064 "Fuel, fuel - lubricants";
- 065 "Spare parts for machinery and equipment";
- 069 "Other inventories".

¹ "Rules of formation and execution of the State budget of the Republic of Uzbekistan" (2002) No. 1111

Revenues of inventories in budget organizations are reflected separately in the accounting. It is known that inventories are received by the organization as a result of the following (Figure 1).

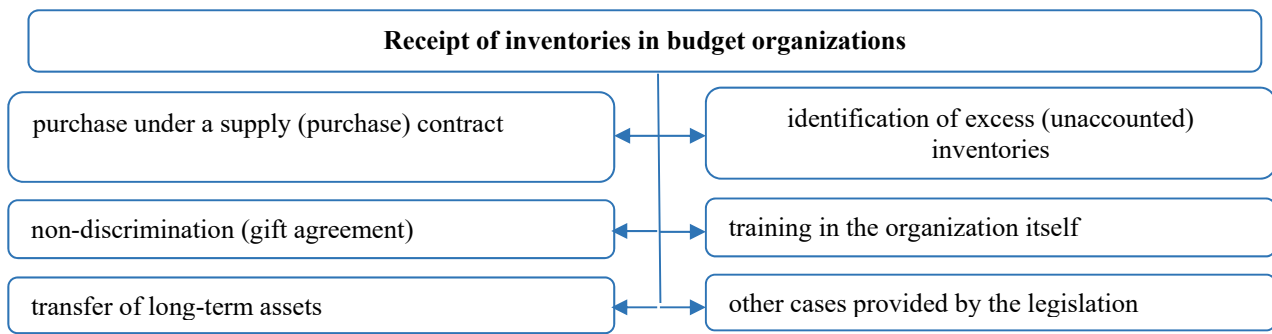


Figure 1. Receipt of inventories in budget organizations²

Inventories are included in the organization's balance sheet at cost, which includes the purchase price (amounts paid to the supplier) and all costs associated with their purchase (Figure 2).

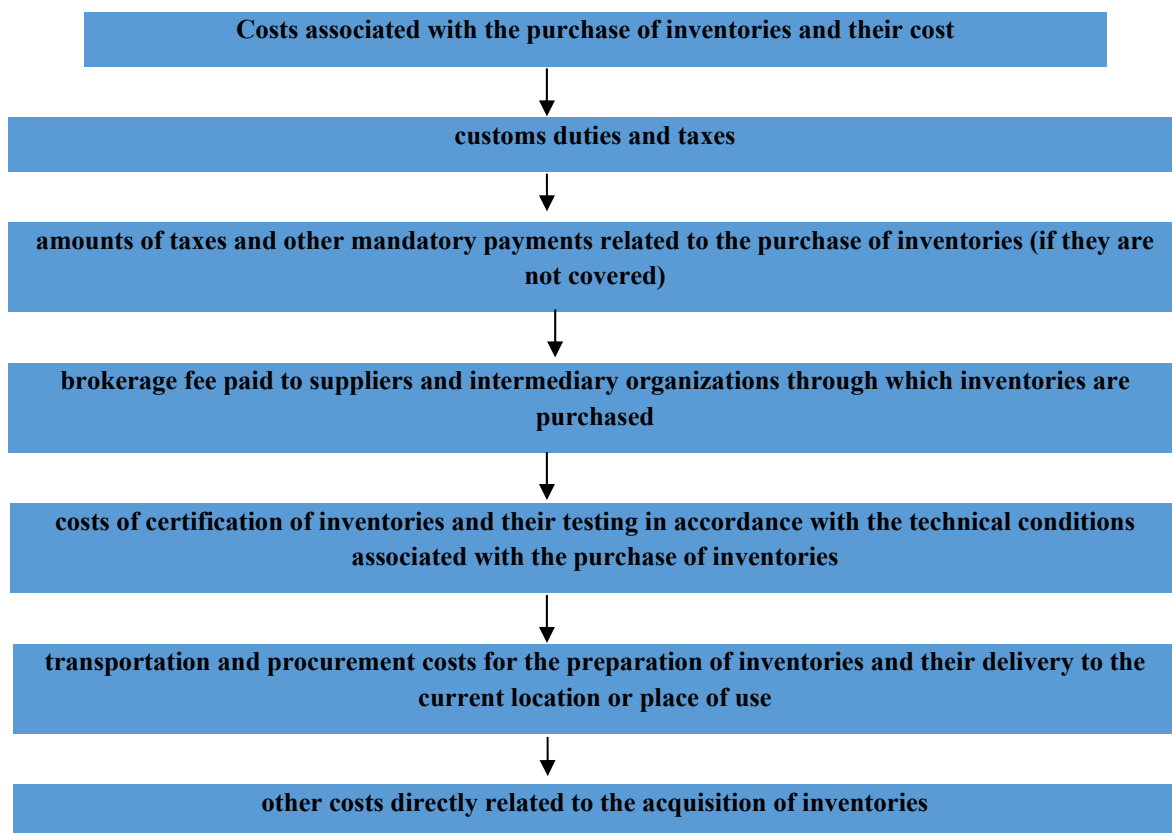


Figure 2. Expenditures included in the cost of receipt of inventories in budget organizations

Expenses related to payment for purchased inventories (expenses for opening a letter of credit, bank commission for transfers, commission for currency conversion when purchasing inventories in foreign currency and other banking services), preparation of contracts for purchase of inventories, costs associated with registration and closure, and other costs not directly attributable to the acquisition of assets are not included in inventories, rather, they are reflected as actual expenses in the reporting period in which they occurred.

² Compiled by the author

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Expenses for the acquisition of inventories are determined on the basis of primary accounting documents confirming their occurrence. The amount of transportation costs is collected separately and distributed among the relevant types of inventories (batches, groups to which these transportation costs belong).

The cost of inventories acquired by the entity is determined on the basis of their current value at the date of receipt. The cost of inventories received from legal entities and individuals in the form of sponsorship includes other costs associated with their delivery to the organization.

When transferring long-term assets, their cost is also determined based on their current value at the date of accounting. At the same time, the parts that are usable as a result of the liquidation of fixed assets (building materials that can be used in buildings, spare parts for vehicles, etc.) are valued at current value and included in the inventory.

The cost of assets identified as a result of inventory of excess (unaccounted for) inventories is determined based on the current value at the date of their determination.

The cost of inventories produced (manufactured) by the entity itself is recognized as the cost of production. The cost of production of inventories includes costs directly related to their production, conditioned by production technology and its organization. These include: direct and indirect material costs, direct and indirect labor costs, other direct and indirect costs of a production nature.

On the basis of primary accounting documents (invoices, acts, etc.) in the accounting registers on the receipt of materials and food products, this material is recorded with the date (date) of receipt of reserves. Primary accounting documents must contain the following information: from whom the products and food products were received, name, variety, quantity (weight) price, amount, time of arrival in the warehouse and the signature of the person responsible for receiving these valuables, etc.

In case of discrepancies in the documents of the supplier, an act of acceptance is drawn up. This act is drawn up in duplicate by the acceptance commission of the organization, which must be attended by the warehouse manager (materially responsible person) and a representative of the supplier or other non-interested organizations.

One copy of the deed is used to record the received material values, and the second copy is used to send a letter of claim to the suppliers of the product.

Revenues from inventories are recorded in the accounting transfers as follows (Table 2).

Table 2. Receipt of inventories in budget organizations in the accounts³

№	Content of transactions	<i>Dt</i>	<i>Kt</i>	The founding document
Purchase under the contract of delivery (purchase)				
1	Value of purchased inventories (purchase price, delivery and other additional costs)	091	Relevant sub-accounts of accounts 15,16,17	Shipping letter, delivery of completed work, acts of acceptance, etc.
2	Purchased goods - receipts at the fair value of inventories	Relevant sub-accounts of account 06	091	Account, accounting reference, etc.
Non-discrimination (gift agreement)				
1	Value of inventories received free of charge from individuals and legal entities (market	091	Relevant sub-accounts of	Shipping letter, delivery of completed

³ Compiled by the author on the basis of the Instruction "On Accounting in Budget Organizations" (2010)

	value, delivery and other additional costs determined in the prescribed manner)		accounts 262 and 15,16,17	work, acts of acceptance, etc.
2	Non-discriminatory commodity is the receipt of inventories at their fair value	Relevant sub-accounts of account 06	091	Account, accounting reference, etc.
Transfer of long-term assets				
1	Transfer of tangible assets from inventories to inventories	Relevant sub-accounts of account 06	Relevant sub-accounts of accounts 01, 07	Certificates of write-off, accounting references
2	Receipt of inventories that can be used later in connection with the liquidation of fixed assets:	Relevant sub-accounts of account 06	Relevant sub-accounts of account 231, 241, 251, 261 or 271	Acts of write-off of fixed assets
Determination of excess (not taken into account) inventories				
1	Receipt of surplus inventories as a result of inventory	Relevant sub-accounts of accounts 05, 06	273	Inventory certificate
Preparation in the organization itself				
1	The amount of actual production costs of inventories prepared by the organization	09 Relevant sub-accounts of the account	Relevant sub-accounts of accounts 02, 06,15,16,17	Accounting statements, acts, consignment notes, applications, etc.
2	The inventory prepared by the organization itself is real	05, 06 accounts related sub-accounts	Relevant sub-accounts of account 09	Accounts, accounting references

In budget organizations, inventories are removed from the balance sheet in the prescribed manner in the following cases (Figure 3).

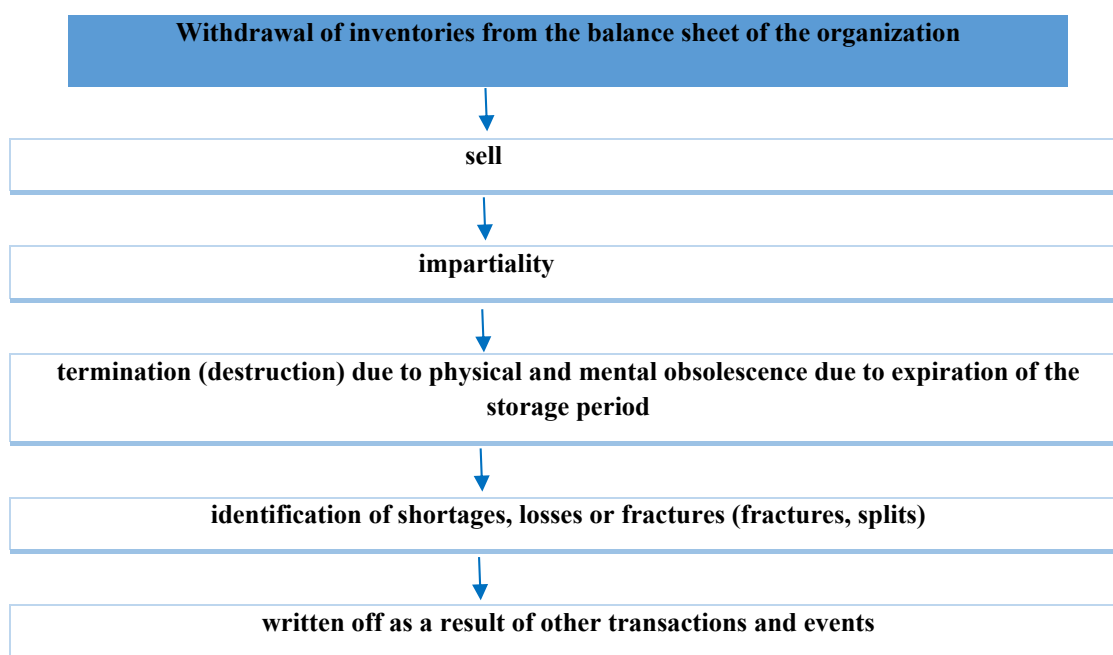


Figure 3. Cases of deregistration of inventories in budget organizations

Inventories are written off at the purchase price (including delivery and other additional costs) or at the average price if they are purchased at different prices. Materials and foodstuffs shall be written off in accordance with the above-mentioned relevant documents approved by the head of the organization (or his deputy) within the duly approved standards.

In the course of the research, it is determined that the write-off of inventories should be reflected in the accounting transfers as follows (Table 3).

Table 3. Write-off of inventories in budget organizations in the accounting records⁴

№	Content of transactions	<i>Dt</i>	<i>Kt</i>	The founding document
Sale				
1	The fair value of reflecting the sale of inventories	201	Relevant sub-accounts of account 06	Shipping letter, accounting reference
2	Selling value of inventories	Relevant sub-accounts of account 15	201	Shipping letter
3	Simultaneously, 50 percent of the amount is credited to the relevant budget revenue	201	160	Accounting reference
4	When 50 percent of the organization's assets are transferred at the same time	201	272	Accounting reference
5	When cash arrives	113	Relevant sub-accounts of account 15	Extract from personal account

⁴ Compiled by the author on the basis of the Instruction "On Accounting in Budget Organizations" (2010)

6	Transfer of 50% to the budget	160	113	Extract from personal account
7	Negative financial result (loss) from the sale of inventories	Relevant sub-accounts of account 231, 241, 251, 261 or 271	201	Accounting reference
8	The actual cost of the finished product sold	200	050	Shipping letter, accounting reference
9	The cost of selling the finished product	Relevant sub-accounts of account 15	200	Shipping letter
10	When the proceeds from the sale of the finished product	112	Relevant sub-accounts of account 15	Extract from personal account
11	Positive financial result from the sale of the finished product (profit)	200	262	Accounting reference
12	Negative financial result from the sale of the finished product (loss)	261	200	Accounting reference
Detection of deficit, loss or damage (breakage, splitting)				
1	Expenditure of inventories that are in short supply as a result of inventory	Relevant sub-accounts of account 231, 241, 251, 261 or 271	Relevant sub-accounts of 05.06 accounts	Inventory certificate
2	For the amount of inventories purchased at the expense of the budget funds, which were in short supply as a result of the inventory, or the source of purchase is unknown (if collected from the responsible person):	Relevant sub-accounts of account 231, 241, 251, 261 or 271	Relevant sub-accounts of 05.06 accounts	Inventory certificate
	a) write-off of the value of scarce inventories			
	b) calculation of the amount collected from the guilty person to the budget revenues	170	160	Accounting reference
	c) payment of the amount of the deficit by the guilty person	cash sub-accounts	170	Extract from personal account
	d) transfer of funds to budget revenues	160	cash sub-accounts	Extract from personal account

The movement of inventories in budget organizations is reflected in the accounts, accounting registers and financial statements on the basis of primary documents. At the same time, it is necessary to pay attention to the fact that inventories are written off from the source of financing, by reflecting the actual costs of this source.

V. CONCLUSIONS AND RECOMMENDATIONS

We consider it appropriate to draw the following conclusions by observing the practical situation with the organization, maintenance and reporting of inventories in budget organizations, gaining practical experience and conducting on this topic:

It is necessary to develop a by-law regulatory document that reflects the clear procedure, sequence, directions of the activities of the internal audit service in budget organizations. At the same time, there are no clear limits on the work of employees of the internal audit service to develop estimates of budget organizations or their implementation, as well as to study the reflection in the accounts. They operate by duplicating the functional responsibilities of accounting staff.

In our opinion, it is advisable to set specific tasks for the internal audit service, such as compliance with the requirements of normative legal acts established in the planning of funds for inventories, expenditure of inventories received from the budget and extra-budgetary funds within the budget, reflection in reports in accordance with the budget classification, normative and legal documents on the accounting of inventories in budget organizations, organization of accounting in accordance with national standards No. 19, normative and legal basis for the accounting of inventories in budget organizations, to study the storage of inventories in budget organizations and their compliance with the data of accounting documents in the process of preparing cost estimates.

Ensuring mutual accountability of persons involved in the processes related to the receipt, storage, use of inventories during the activities of the organization and their primary documentation serves the use of inventories in accordance with budget rules and estimate discipline. At the same time, their participation and interaction in the inventory process of inventories further increases the responsibility of materially responsible persons.

Ensuring the regular use of inventories in budget organizations and the limits on their balance at the end of the reporting period allows you to regularly determine the needs for inventories, determine their balances, monitor the implementation of estimates on expenditure items. Procurement of inventories in budget organizations is carried out through the electronic procurement system. This, as noted above, while ensuring openness and transparency in the spending of budget funds, there are some problems with the receipt of inventories in the amount and quality specified in the contract and invoice. In order to eliminate these aspects, the receipt of inventories is ensured by registration on the basis of primary documents, timely receipt of inventories on the basis of established requirements. To do this, it is necessary to directly control the purchase of inventories in budget organizations and their entry into the balance sheet of the organization by the chief accountant.

In most cases, the implementation of the act on the results of the inventory is not fully implemented, and as a result of the transfer or dismissal of those responsible for the material, the looting of inventories. Therefore, in our opinion, it is necessary to strengthen the responsibility for the full implementation of inventory acts on inventories.

In order to eliminate discrepancies in the accounting data of the *UzASBO* program with the status and movement of inventories in budget organizations, as mentioned above, it is recommended to fully document the movement of inventories and ensure their timely reflection in the *UzASBO* software package.

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