

IMPROVEMENT OF INVENTORY ACCOUNTING IN BUDGET ORGANIZATIONS

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Abstract. Inventory accounting is a critical aspect of financial management in budget organizations. Accurate inventory management ensures optimal resource allocation and financial stability. However, many budget organizations struggle to maintain effective inventory accounting practices due to a lack of standardized procedures, technological limitations, and human errors. This article examines the challenges faced by budget organizations in inventory accounting and proposes strategies for improvement. These include implementing standardized procedures, adopting technology, improving employee training, and fostering a culture of continuous improvement. By adopting these recommendations, budget organizations can enhance their inventory accounting practices, leading to increased efficiency and financial stability.

Keywords: Inventory accounting, budget organizations, financial management, financial reporting, budget accounting standard, budget report

INTRODUCTION

Inventory accounting is an essential component of any organization's financial management system. It involves tracking and managing inventory levels, costs, and valuation. Budget organizations, such as government agencies, educational institutions, and non-profit organizations, have unique challenges when it comes to inventory accounting. Effective inventory accounting is crucial for budget organizations to ensure accurate financial reporting and compliance with regulatory requirements. It helps these organizations optimize inventory levels, minimize costs, and make informed decisions about inventory management. However, budget organizations often face difficulties in accurately tracking inventory due to their size, complexity, and diverse inventory needs.

Improving inventory accounting in budget organizations requires a comprehensive approach that considers various factors, including the organization's size, industry, and inventory needs. This may involve implementing an inventory

management system, streamlining inventory processes, training staff on inventory accounting, and ensuring proper documentation and record-keeping.

Effective inventory accounting is critical for budget organizations to manage costs, optimize inventory levels, and make informed decisions. Improving inventory accounting requires a comprehensive approach that considers the organization's size, industry, and inventory needs while also complying with regulatory requirements. By implementing effective inventory accounting practices, budget organizations can improve their financial reporting and achieve greater operational efficiency. 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.

LITERATURE REVIEW

Understanding the challenges faced by budget organizations in their inventory accounting practices is essential for identifying improvement opportunities. A few scholars have identified key challenges, including insufficient resources, lack of accurate data, and inadequate training of personnel.

According to, Adams and Weistroffer (2016) pointed out that budget organizations often have limited resources to invest in inventory management, resulting in inadequate control systems and outdated technology. This, in turn, can lead to inaccurate data and an inability to make informed decisions.

Moreover, Tornatzky and Fleischer (2019) highlighted the importance of training and development for personnel involved in inventory accounting. The authors argued that inadequate training can result in errors and inefficiencies, ultimately impacting an organization's ability to manage resources effectively. They suggested that organizations invest in continuous training and development programs for their personnel to ensure that they possess the necessary skills and knowledge to manage inventory accounting effectively.

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.

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.

ANALYSIS AND RESULTS

Inventory accounting-are held in the course of normal activity for the purpose of later sale and are available in the production process, as well as used in the process of producing products, performing work or providing services, or for the implementation of administrative and socio-cultural tasks are tangible 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.).

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

No	The name of the inventory	Defined norms	day
1	Food products (excluding seasonal cooking)	15 days	

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

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

The inventory account is accounted for in the corresponding sub-accounts of the 160,000 - "Inventory" account. On the debit side of these accounts, the receipt of goods is reflected at the actual cost, and on the credit side, the write-off is reflected.

160,000 - In the relevant accounts and sub-accounts of the "Inventories" account, purchased or produced in the current or previous period, used in the activity or production of the budget organization, and intended for sale or resale, the inventories are of state strategic importance state reserves, food and other strategic reserves are kept.

161,000 - all types of reserves belonging to budgetary organizations, used during their activities, given to relevant legal entities and serving as raw materials for production, as well as those of state strategic importance in the relevant sub-accounts of the "Raw materials and materials" account reserves are kept.

Inventories taken into custody on the basis of a contract for temporary use that do not belong to budget organizations are taken into account in the off-balance sheet account 02 - "Inventories taken into custody" according to the value specified in the contract .

161,100 - food for the current and winter-spring season and agricultural products used for the needs of the budget organization are taken into account in the relevant sub-accounts of the "Food products" account.

161,200 - drugs, medical devices and in the relevant sub-accounts of the "Drugs, medical devices, vaccines and bacteriological preparations" account in hospitals, treatment-prophylaxis, treatment-veterinary and cost estimates for the provision of funds for these purposes in organizations other medications are considered.

161,300 - all types of fuel, fuel and lubricants in warehouses, as well as at the disposal of directly materially responsible persons, are taken into account in the relevant sub-accounts of the "Fuel, fuel and lubricants" account.

161,400 - the relevant sub-accounts of the "Inventory and household equipment" account include household materials, stationery, as well as other inventory and household equipment, as well as paper and other printing products used for the organization's daily needs.

161,500 - the sub-account "Clothing, shoes and bedding" includes the existing clothes, bedding, clothes and shoes in warehouses of budget organizations and at the disposal of directly financially responsible persons.

161,600 - "Construction materials" subaccount includes construction materials used in the process of construction and assembly works.

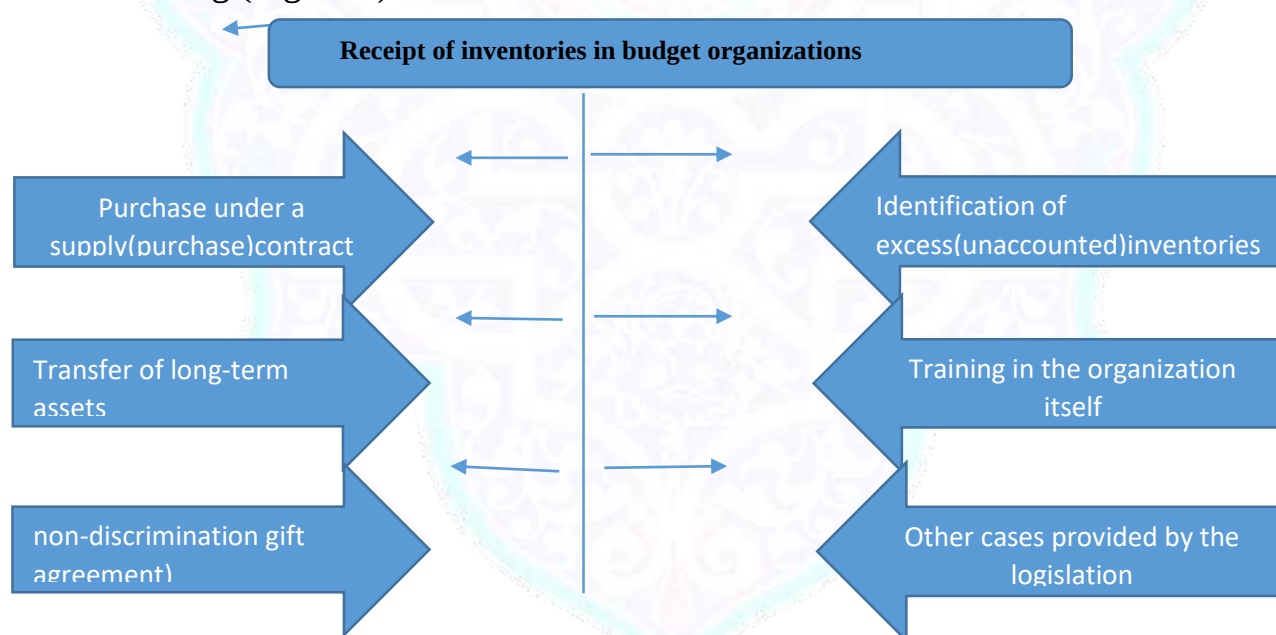
As construction materials, silicate materials, sanitary-technical materials, electrical engineering materials, chemical-painting substances and other similar materials are taken into account.

161,700 - the sub-account "Machine and equipment spare parts, components and semi-finished products for purchase" includes spare parts intended for the replacement and repair of obsolete parts of machinery, tractors, combine harvesters, vehicles.

161,800 - the account of animals fed in the barn is kept in the relevant sub-accounts of the "Biological reserves" account.

161,900 - "Other raw materials and materials" sub-account includes assets and other inventories used during one operational cycle that are not included in the above groups.

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).



The receipt of inventory is reflected separately in accounting. It is known that inventories are delivered to the organization as a result of:

- purchase under a delivery (sale) contract;
- involuntary descent (according to the gift contract);
- transfer from long-term assets;
- determination of excess (unaccounted for) inventory;
- preparation in the organization itself;
- other cases stipulated by law.

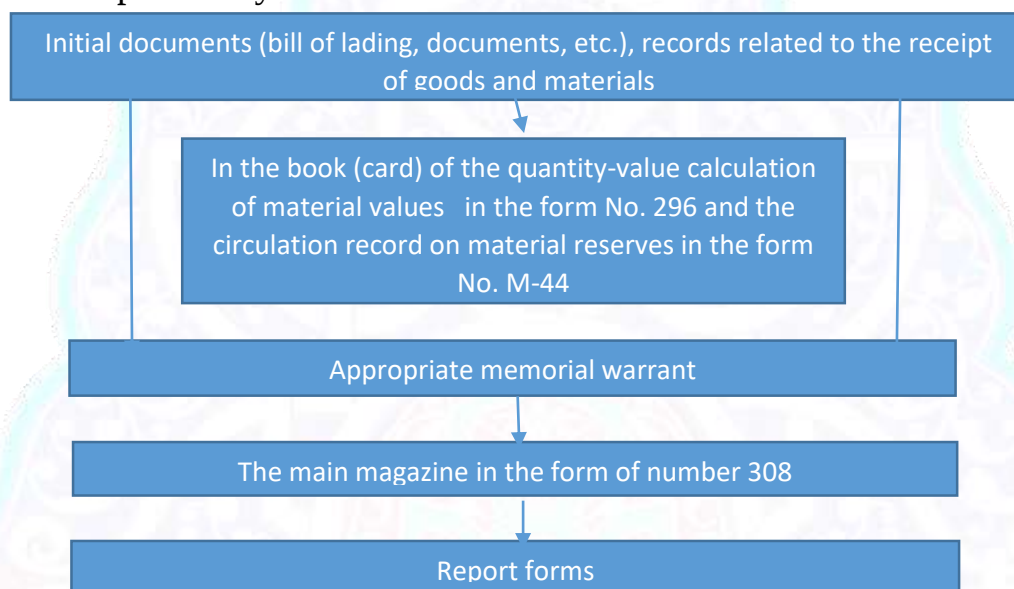


Figure 2. Schematic view of inventory receipt documentation³

Inventory write-off in budget organizations is carried out according to the established procedure. Known inventories from the organization's balance sheet:

- sale;
- giving freely;
- termination (destruction) due to unusability after the storage period, as a result of physical and intellectual obsolescence;
- detection of deficiency, loss or damage (breakage, division);
- written off as a result of other operations and events.

³ Compiled by the author

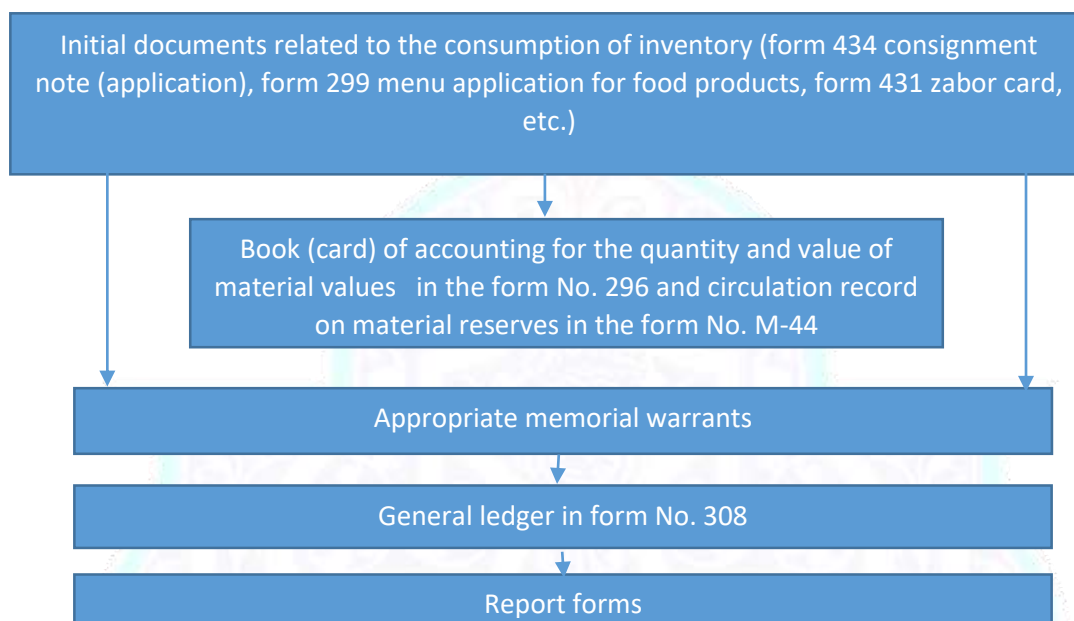


Figure 3. Schematic view of inventory write-off documentation⁴

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. On the basis of primary accounting documents (invoices, acts, etc.)⁵ 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. 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.

Table 2
Accounting report on operations related to the movement of inventory⁶

⁴ Compiled by the author

⁵ Ostonokulov A.A. Improving Accounting of settlements with Suppliers and Buyers in Public Sector Institutions. // American Journal of Economics and Business Management. ISSN: 2576-5973. Vol. 4, No. 2, 2021, pp. 11-16. <https://www.grnjournals.us/index.php/AJEBM/article/view/354#referencesTab>

⁶ Compiled by the author on the basis of the Instruction "On Accounting in Budget Organizations"

No	Content of transactions	Dt	Kt	The founding document
Purchase under the contract of delivery (purchase)				
1	Value of purchased inventories (purchase price, delivery and other additional costs)	Relevant sub-accounts of account 170 000	Relevant sub-accounts of account 341 000	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 160 000	Relevant sub-accounts of account 170 000	Account, accounting reference, etc.
Non-discrimination (gift agreement)				
1	Value of inventories received free of charge from individuals and legal entities (market value, delivery and other additional costs determined in the prescribed manner)	Relevant sub-accounts of account 170 000	902 200 “Inventory received or given free of charge” sub-account	Shipping letter, delivery of completed work, acts of acceptance, etc.
2	Non-discriminatory commodity is the receipt of inventories at their fair value	Relevant sub-accounts of account 160 000	Relevant sub-accounts of account 170 000	Account, accounting reference, etc.

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.

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 budget⁷, 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.

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