

## THE IMPORTANCE OF VALUATION AND COST CALCULATION IN ECONOMICS

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**Abstract:** The main purpose of this scientific article is to explore the valuation process applied in various branches of the economy—particularly in banking, finance, microeconomics, and accounting—to study its goals, functions, and advantages. It also aims to examine cost calculation as another significant direction in economics, to understand its scope of application, advantages and disadvantages, and to determine its key purposes and tasks.

**Keywords:** Economic sectors, accounting, valuation process, objectives and functions of valuation, advantages and disadvantages of valuation, cost calculation.

### Introduction

Indeed, valuation and cost calculation are crucial concepts for economics and its sectors. They enable the rational use of resources in production processes, control of expenses, and maximization of profit.

Valuation is the process of determining the value of economic activities, production means, goods, services, and enterprises. It is vital for making economic decisions, forming market prices, identifying the real value of goods and services, determining financial positions through accurate evaluation of assets, liabilities, and capital, and assessing investment efficiency and profitability.

Cost calculation (calculation) is the process of computing the cost of producing goods or services. It serves as an essential instrument of economic management. It plays a major role in determining product prices, shaping pricing policy, ensuring efficient resource use, analyzing profits and losses, and strengthening planning and control mechanisms.

#### The Role of Valuation and Cost Calculation in the Banking and Financial System

In the banking and financial system, valuation and cost calculation play an essential role in ensuring financial stability, reducing risks, and increasing profitability. Through these processes, banks and financial institutions determine the real value of their assets, liabilities, investments, and services.

Valuation (value assessment) in banking activities is used to identify the value of financial instruments, loans, collaterals, and investments. Its main importance lies in the following aspects:

Ensuring financial stability: By accurately valuing assets (loans, securities, collaterals), banks can clearly understand their financial standing.

Reducing credit risk: Evaluating borrowers' solvency and collateral value helps minimize the probability of losses.

Supporting investment decisions: Through valuation, banks can determine which investment sectors are profitable or risky.

Ensuring financial reporting accuracy: Proper valuation enhances the reliability of balance sheets, profit and loss statements.

Developing market-based pricing policies: It helps banks set fair and competitive prices for services such as credit, deposits, insurance, and investment products.

Cost calculation in the banking sector refers to determining the cost of banking services, operations, and financial products. It is a fundamental tool for evaluating the economic efficiency of banking activities. Its main importance includes:

Determining service cost: By calculating the cost of each product (loans, accounts, transactions, etc.), banks assess profitability.

Setting pricing policies: Based on cost calculation, banks develop interest rates, commissions, and tariffs.

Analyzing profit and loss: Cost data helps identify which services are profitable or unprofitable.

Supporting managerial decisions: Analysis of income and expenses ensures efficient resource allocation.

Strengthening internal control: Cost calculation serves as a monitoring mechanism for branches, departments, and products.

Hence, valuation and cost calculation are interrelated in the financial system. For example:

1. Valuation determines the market value of bank assets and services.
2. Cost calculation measures their actual costs and profitability.

Overall, their significance lies in ensuring liquidity and capital adequacy, effectively managing investments and risks, improving transparency in financial reports, and maximizing profitability through rational resource use. Thus, valuation and cost calculation form the foundation of economic management in the banking and financial system.

#### The Role of Valuation and Cost Calculation in Microeconomics

Another important branch of the economy is microeconomics—the field that studies the activities of individual economic units such as enterprises, firms, and consumers. Therefore, valuation and cost calculation play a key role in microeconomic processes such as production, pricing, profit generation, and resource efficiency.

The significance of valuation in microeconomics is as follows:

Determining resource value: Valuation helps enterprises accurately estimate labor, raw materials, capital, and technology costs.

Forming the basis for pricing: The price of a product is determined based on its cost and market conditions.

Establishing market equilibrium: Valuation identifies equilibrium prices between demand and supply.

Measuring profit levels: By comparing production costs with revenue, valuation helps determine profitability.

Assessing economic efficiency: It is essential for evaluating investments, production volume, or the profitability of new products.

Cost calculation in microeconomics refers to calculating and analyzing production costs for goods or services. It is a key instrument for measuring and controlling economic outcomes at the enterprise level. Its main functions include:

Determining product cost: Calculating expenses per unit of production.

Setting pricing policies: Establishing competitive and profitable prices based on production cost.

Improving resource efficiency: Reducing excessive costs and enhancing productivity.  
Analyzing profit and loss: Comparing expenses and income to identify financial results.  
Facilitating planning and control: Providing a foundation for production plans and financial strategies.

The interconnection between valuation and cost calculation in microeconomics can be clearly seen as follows: valuation determines the value of resources and products, while cost calculation measures the expenses required for their production. Together, they help improve overall efficiency, ensure rational resource use, balance profit and costs, and strengthen competitiveness in market conditions.

Therefore, in microeconomics, valuation and cost calculation are essential tools for effective enterprise management. They help determine production costs, set optimal prices, analyze profits, and justify economic decisions, leading to improved efficiency and competitiveness.

#### The Role of Valuation and Cost Calculation in Accounting

Valuation and cost calculation are also widely applied in accounting, which is one of the most critical branches of economics. Accounting is the system of measuring, recording, and analyzing business transactions that occur in the course of enterprise operations. Within this system, valuation and cost calculation serve as key economic tools that ensure accurate financial results, reliable reporting, and sound managerial decisions.

Valuation in accounting is the process of expressing assets, liabilities, capital, income, and expenses in monetary terms. Its main importance includes:

Monetary measurement of transactions: Every operation (sale, purchase, production, service) is expressed in monetary terms through valuation.

Ensuring accuracy of financial reports: Proper valuation of assets (fixed assets, inventories, cash, etc.) enhances report reliability.

Assessing financial stability: It helps analyze the ratio between assets and liabilities and determine capital adequacy.

Providing a basis for taxation and auditing: Valuation data ensures accurate tax calculations and effective financial control.

Accounting for inflation effects: Revaluation of assets reflects the enterprise's real value.

Closely related to valuation, cost calculation is an integral part of accounting. It involves determining and analyzing all costs related to the production of goods, works, or services. Its significance includes:

Determining production cost: Identifying the real cost of goods or services produced.

Supporting pricing policy: Helping set prices that reflect cost and profit objectives.

Controlling expenses: Identifying excessive expenditures and suggesting ways to reduce them.

Forming the basis for profit measurement: Comparing costs and revenues to calculate net profit or loss.

Supporting planning and budgeting: Providing essential data for forecasting future production, expenses, and profits.

In accounting, valuation determines the value of accounting objects, while cost calculation measures profit and loss based on that value. Together, they provide accurate financial results, ensure reliable reporting, and enable comprehensive economic analysis.

Therefore, valuation and cost calculation in accounting ensure the precision of financial information, increase production efficiency, encourage rational resource use, and support well-founded management decisions. In other words, valuation and cost calculation are the core of

financial accounting, ensuring reliable financial statements, facilitating economic analysis, and promoting sustainable enterprise growth.

### Conclusion and Recommendations

Valuation and cost calculation are processes of theoretical and practical importance in all branches of the economy—microeconomics, banking and finance, and accounting. They serve as key tools for analyzing, planning, and managing the economic activities of enterprises, organizations, and financial institutions.

In conclusion:

1. Valuation provides the foundation for economic decision-making by determining the value of assets, liabilities, products, and services. It plays a decisive role in financial analysis, pricing policy, investment efficiency, and profit measurement.
2. Cost calculation defines the actual cost of production, services, or financial operations, helping to increase profit, reduce unnecessary expenses, and ensure efficient resource use.
3. In microeconomics, valuation and cost calculation are essential for enhancing enterprise efficiency, developing competitive pricing, and maintaining a balance between profit and cost.
4. In the banking and financial system, valuation is vital for determining the true value of assets and liabilities, reducing credit risk, and guiding investment policy, while cost calculation helps analyze the profitability of banking services.
5. In accounting, valuation and cost calculation ensure the accuracy of reports, present reliable financial outcomes, and provide a solid basis for management decisions.

### Recommendations:

1. Digitalization of valuation and cost calculation systems — Automating these processes through modern information technologies improves accuracy and efficiency.
2. Enhancing professional skills — Organizing practical training and certification programs on valuation and cost calculation for accountants, economists, and financiers.
3. Improving valuation standards — Harmonizing national accounting and financial reporting standards with international frameworks (IFRS, IAS).
4. Deepening cost analysis — Regular analysis of resource efficiency during production helps minimize unnecessary costs.
5. Using valuation results in strategic planning — Companies and banks should base long-term investment and financial policies on valuation data.
6. Strengthening education — Introducing and teaching the subject “Fundamentals of Valuation and Cost Calculation” in higher education institutions with a practical focus.

Overall, valuation and cost calculation are not only fundamental components of economic analysis but also key instruments for ensuring economic stability, financial reliability, and efficiency. Proper organization of these processes directly contributes to the development of enterprises, the banking sector, and the entire economic system.

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