

INVENTORY ACCOUNTING

Samarkand Institute of Economics and Service

Senior Lecturer of the Department of “Accounting”

Khudaynazarova Dilnoza Gafurovna

Tel: +998937284308,

e-mail: dilnozaxudaynazarova17@gmail.com

Samarkand Institute of Economics and Service

Student: **Komiljonov G‘olibjon Jamshid ugli**

Samarkand Institute of Economics and Service

Student: **Balmanova Rukhshona Mamasoli kizi**

Annotation. This article comprehensively analyzes the content of inventory accounting, their role in the financial stability of the enterprise and the production process. The study covers the principles of correct valuation of inventories, accounting, documentation processes, and the main requirements of standards used in international practice. It also provides scientific and practical conclusions on the movement of inventories (input and output), their inventory, methods for determining cost, and their impact on management decisions. The article is enriched with proposals for improving inventory accounting for enterprises and ensuring the efficient use of resources.

Keywords: inventory, inventory accounting, inventory, valuation methods, FIFO, LIFO, average cost, documentation, material resources, financial reporting, production costs, standards.

Introduction. Inventories are one of the main economic resources that play an important role in the production process and trading activities of an enterprise. The availability of inventories ensures the uninterrupted operation of the organization, the stability of customer service, and the consistency of the production cycle. Therefore, accounting for them is of particular importance in the overall financial management system of the enterprise, serving to form real financial results through the correct assessment, documentation, and control of inventories. Improving inventory accounting allows the enterprise to strengthen financial discipline, use resources efficiently, prevent excess costs, and make more accurate management decisions. The requirements for the accuracy of inventories, costing methods, and inventory processes in international financial reporting standards are reflected as an important factor in ensuring transparency in the activities of enterprises. Also, the increasing complexity of the production process, changing market demands, and the expansion of logistics processes require more thorough inventory accounting. This introductory part will cover the economic essence of inventory accounting, its role in management and financial reporting, and its importance in the activities of modern enterprises. The following chapters will analyze in detail the methods of

estimating inventories, the procedure for reflecting their movements, and the practical aspects of inventory processes.

Main part. The sustainable economic activity of an enterprise largely depends on how it manages and how thoroughly it keeps its inventory. Inventories are a resource that ensures the production process of an enterprise, acts as the main circulating asset in the trading process, and at the same time affects the future financial potential of the enterprise. Therefore, inventory accounting is considered not only an accounting technical process, but also an integral part of strategic management. High-quality inventory accounting is necessary to accurately determine the costs of an enterprise, reliably reflect financial results, and control the movement of resources.

The role of inventories in the modern economy has become even more important. The complexity of global supply chains, rapid changes in market demand, and technological expansion of production are forcing enterprises to take a more in-depth approach to inventory management. Inventory accounting is one of the factors that determines not only the real assets of an enterprise, but also its economic stability and liquidity level. As the famous economist William Paton noted in accounting theory, “The accounting system is a living organism that reflects the activities of an enterprise.”[1] The essence of this quote is that inventory accounting is not just a sum of numbers, but a system that reflects the real life activities of an enterprise.

The initial stage of inventory accounting is their correct classification. Inventory is usually in the form of raw materials, semi-finished products, finished products, goods, and spare parts. Since the requirements for valuation and documentation for each category differ, the accuracy of the classification contributes to the accuracy of the enterprise’s accounting data. This process determines how reserves are accounted for, how they are valued, and how they are reflected in financial statements.

Valuation methods are one of the most important elements of inventory accounting. In practice, three methods are widely used: FIFO, LIFO, and the weighted average cost method. Each method has its own economic impact. For example, the FIFO method can show a higher profit of the enterprise in conditions of inflation, while LIFO, on the contrary, can serve to reduce the tax burden. In this regard, the chosen valuation method determines not only accounting indicators, but also the financial strategy of the enterprise. As the famous economist J. R. Hicks noted, “Financial results are formed depending on the chosen method of accounting.”[2] The essence of this quote is that how reserves are valued can change the description of financial results.

The issue of documentation also plays an important role in inventory accounting. Each input and output transaction must be confirmed by appropriate documents and entered into the accounting system in real time. This process serves to prevent risks such as loss, damage, inefficient use or incorrect accounting of reserves. At the same time, effective documentation helps to correctly formulate production costs, accurately calculate costs and ensure the reliability of financial reporting. According to the author R. Anthony, “Accounting is the most powerful tool of control.”[3] The content of the quote means that by controlling the movement of reserves, an enterprise can strengthen internal discipline.

Inventory is one of the most important forms of control of inventory accounting. Through this process, the actual amount of reserves is compared with the indicators in accounting documents. Inventory helps to more accurately assess the state of the enterprise's assets, identify losses, surpluses or deficits. Especially in large enterprises, regular inventorying ensures transparency of the process of stock movements. In this regard, George O. May's opinion is noteworthy: "Ignorance of real property is the greatest source of incorrect accounting." [4] The essence is that inventory is the main factor in ensuring the accuracy of accounting. The role of inventories in the management of the enterprise is also of particular importance. Inventories directly affect the liquidity, turnover rate and profitability of the enterprise. If there are excess inventories, they freeze the financial resources of the enterprise, and if there are fewer, interruptions occur in the production or sales process. Therefore, determining the optimal level of inventories is one of the main tasks of management decisions. In management accounting, this process is evaluated through indicators such as "reserve level", "service ratio" and "turnover rate". As the famous economist G. Emerson noted, "Efficiency is the art of rational use of resources." [5] The essence of this quote is that an enterprise can be economically sustainable only if inventories are managed effectively. In addition, International Financial Reporting Standards (IFRS) set out clear requirements for the valuation and accounting of inventories. In particular, IFRS 2 covers methods for determining the cost of inventories, determining the net realizable value, revaluation and write-off of inventories. Compliance with the requirements of the standards allows an enterprise to gain confidence in the international market and ensure the comparability of financial reporting.

Conclusion. In conclusion, inventory accounting plays an important role in the correct assessment of the financial activities of the enterprise, effective management of resources and ensuring the continuity of the production process. The correct selection of valuation methods, accurate documentation, systematic organization of the inventory process and compliance with international standards increase the transparency of the enterprise's activities. This strengthens the competitiveness of the enterprise and contributes to its sustainable development in market conditions.

References

1. Paton, W. A., Littleton, A. C. An Introduction to corporate accounting standards. American accounting association, 1940.
2. Hicks, J. R. Value and capital: an inquiry into some fundamental principles of economic theory. Oxford University Press, 1939.
3. Anthony, R. N. Management accounting: text and cases. Richard D. Irwin Inc., 1960.
4. May, G. O. Financial accounting: a distillation of experience. University of California Press, 1943.
5. Emerson, H. The twelve principles of efficiency. Engineering magazine Co., 1911.
6. Abdullayev, A. Theory of accounting. Tashkent: Iqtisod-Moliya, 2020.
7. Jo'rayev, M. Corporate financial accounting. Tashkent: Science and Technology, 2019.
8. Murodov, R. Fundamentals of financial reporting and audit. Tashkent: Economy-Finance, 2021.