

# **DIRECTIONS FOR RECOGNITION OF INVENTORIES ON THE BASIS OF THE REQUIREMENTS OF INTERNATIONAL STANDARDS**

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**Abstract:** The recognition of inventories in production companies, their valuation and their accounting require continual improvement of modern development processes. This article presents scientific proposals and recommendations concerning the value of inventories at production enterprises, their occurrence, reflection in the composition of costs, improvement of the theoretical and methodological basis of accounting.

**Keywords:** accounting, goods, inventories, cost, value, expense, report.

## **INTRODUCTION**

In the structural reform of national economic sectors and sectors, practical measures are being taken to organize inventory accounting in production enterprises based on international standards. In order to provide the necessary financial information for attracting foreign investments to production enterprises, "Joint-joint companies, commercial banks, insurance organizations and legal entities included in the category of large tax payers shall, starting from January 1, 2021, conduct accounting based on international standards of financial reporting. and from the end of 2021, the task of preparing financial statements based on international standards" [2] is set. Realization of these important tasks is the formulation of scientific proposals and practical recommendations on improving inventory accounting in production enterprises based on the requirements of international standards, valuation of inventory at fair value in accounting, and ensuring effective use of inventory. is considered one of the problems.

## **LITERATURE REVIEW**

The scientific-theoretical foundations of inventory accounting have been researched by a number of foreign and domestic scientists.

I. Ochilov and J. Kurbanboyev focused on the issues of classification and evaluation of inventories, control of their use [10]. D. Norbekov, A. Makhmudov and D. Mukhammedova have paid close attention to the issues of inventories assessment and inventory, inventories calculation [11].

According to S. Sedki, A. Smith and A. Strickland, "inventory accounts should fully represent the expenses incurred by the enterprise and serve to provide complete information about the expected profit for investors" [12].

Despite the research and theoretical research carried out within this topic, the issues of improving inventory accounting have not been fully studied in a comprehensive and integrated way.

This situation determines the level of relevance of the researched scientific-practical problems and proposals and recommendations for their elimination.

### ANALYSIS AND RESULTS

In all enterprises in economic sectors, inventories are used in production and other economic processes, including raw materials and materials, fuel, farm equipment and inventories, etc. It is necessary to pay attention to the compliance with the standards of material inventories and the cost of material resources, components, components and units in production. If we consider their various classifications, we will learn more fully the economic character of inventories.

In modern market conditions, inventories are considered one of the most important resources that ensure the stability of enterprises and have a direct impact on the final result of activities, their size and level. It should be noted that studying and understanding the nature of inventories is one of the most important problems of accounting, and this is connected with a high level of practical necessity and their rational use by enterprises.

Enterprises are required to have a certain level of inventory, in which it is necessary to pay attention to the following:

- ensuring the independence of production activities, for example, reducing time losses with the help of inventories;

- ensuring the independence of workplaces. It is characterized by the need for stock to cover delays in the processing of products and ensure high consistency of the production process;

- the need to take into account changes in demand for products (keeping a certain stock of finished products);

- ensuring the flexibility of production activities (an increase in the time of preparation of the product for production, in turn, provides the possibility of planning a relatively uniform production process, producing a larger volume of finished products at lower costs);

- provide protection against fluctuations during the supply of raw materials;

- taking advantage of the economic size of the purchase order.

To cover part of the costs, it is necessary to determine the directions of certain measures:

- sale of unused resources in the economic process;

- transferring excess resources to another department;

- replacement of material resources from the supplier of goods (replacement of resources purchased from this supplier of goods for other resources from this supplier of goods);

- return resources to the supplier at a reduced price;

- material handling and disposal.

Otherwise, it is required to classify the inventories and designate the persons responsible for their movement.

Optimizing the level of inventories and finding a balance between the costs of their formation and storage requires excessive time and effort.

Solving the problem of redundancy in the future requires an analysis of inventories indicators, as well as the financial capabilities of the enterprise, because excessively set standards require large costs.

The correct organization of inventory accounts requires strict adherence to its regulatory and legal basis. Inventories, first of all, the Law "On Accounting" focuses on the issues of valuation of inventories[1]. In addition, in our country, national accounting standards have been developed for accounting for inventories.

In "Conceptual framework for preparation and presentation of financial statements" the reasons for reflecting inventories as assets are given. In particular, it is stated that they will bring economic benefit in the future. NSA No. 1 entitled "Accounting policy and financial reporting" presents the differences of inventories from long-term assets, the criteria for their reflection among

current assets [3]. Also, this standard specifies the principles to be followed when reflecting inventory in accounting.

NSA No. 4 entitled "Inventories" is the main regulatory legal document on the topic under study. This standard describes the essence of the main concepts related to inventories. Also, this standard discloses the features of recognizing inventory, determining their cost, accounting for animals, livestock, inventory, and farm equipment. This standard also describes the procedure for disclosing information on inventories in financial statements.

## CONCLUSION

In conclusion, it should be noted that there are many international standards for inventory accounting. However, our country mainly has NSA No. 4 called "Inventories", and we believe that it is necessary to improve some aspects of this standard based on the requirements of international standards.

In a number of cases, production enterprises attract debt funds for the purchase of goods and for the organization of the production process. Accounting for debt expenses is provided in ISA No. 23 entitled "Borrowing costs". In accordance with this standard, enterprises must capitalize reclassified assets, i.e. expenses related to production (purchase) that require time to prepare for use or sale, as a part of the initial cost of this asset. .

From the point of view of ISA No. 23 "Borrowing costs", inventories produced for a short period of time are not considered reclassifiable assets. Therefore, borrowing costs related to the purchase of stocks that are directly produced or otherwise created on a regular basis in large quantities cannot be capitalized.

The following are not included in the cost of inventories according to ISA No. 2 entitled "Inventories":

- excess losses of raw materials, labor and other production costs;
- storage costs;
- costs not related to bringing stocks to their current location;
- selling expenses.

The listed expenses should be immediately included in the current expenses of the reporting period.

Inventory costing is a difficult process for inventory groups such as work-in-progress and finished goods. In this case, determining the cost of inventories can be done using the normative method or the retail price method. The normative method envisages consideration of the sold products based on the normative consumption of material and labor resources spent on each product. The method based on retail prices allows you to calculate the cost of goods for which the sales value and the sales mark-up are known.

The principle of mutual compatibility of income and expenses of the reporting period should be used in the formation of the cost of sales in IFRS, that is, the book value of the sold inventories should be recognized as an expense in the period in which the corresponding income is recognized.

The methods of estimating the unit of inventories when they are put to use are used in accounting and include the following:

- according to the value of the first purchased stocks;
- at the average cost based on the average value of stock balances at the beginning of the year and the value of purchased stocks;
- according to the individual assessment of the current costs.

The procedure for accounting and disclosure of information on changes in accounting policies, the procedure for accounting changes and correction of errors in accounting policy, ISA No. 8 "Accounting Policies, Changes in Accounting Estimates and Errors" regulates selection and

modification criteria. As a result of the uncertainties inherent in economic activity, in most cases, many items of the financial statement cannot be accurately estimated, but can only be estimated. The calculations contain conclusions based on the most recent, open and reliable data.

In particular, calculations may be required in the event that stocks become obsolete. The use of reasonable accounting estimates is an important part of the preparation of financial statements and does not reduce their reliability. A settlement estimate may require revision if the underlying circumstances change or as a result of new information or experience. In essence, the revision of the settlement price will not be related to previous periods and will not be considered a correction of an error. It should be noted that in the case of obsolete inventories, their value can be adjusted after the end of the reporting period, and this is regulated by ISA No. 10 entitled "*Events after the Reporting Period*". In addition to obsolescence, the sale of stocks that occurred after the reporting period is also the basis for making an adjustment. This situation can serve as a source of information about their net sales value at the reporting date.

#### LIST OF USED LITERATURE:

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