

CLASSIFICATION AND COMPOSITION OF EXPENSES
OF ECONOMIC ENTITIES

Habibullayev Javohir Abdulla ugli

Master's student at Namangan Institute of Engineering and Technology

E-mail: habibullayevjavohiraccaf3@gmail.com

Tel: +99893 409 46 43

Abstract. This article is devoted to the analysis of the costs of economic entities. The article examines in detail the composition, classification, different types of expenses and their impact on the activities of economic entities. Various methods of cost classification are analyzed, including functional, economic, and others. Also, methods of cost management, keeping them at an optimal level and increasing efficiency are discussed. The article also shows the practical aspects of analyzing the costs of economic entities, planning and controlling them.

Keywords. Business owner, subject, expense, classification.

Business entity-BE

The terms "production costs" and "production outputs" do not mean the same thing. The second of these concepts is broader than the first, and from the point of view of society, it includes the entire volume of living and commodified labor and is equal to the value of the product. The concept of "production output" is, in most cases, associated with a certain sector of the economy (for example, production output, transaction output, etc.). Production outputs can be initially divided into two groups:

- specific or actual outputs;
- unclear outputs.

Exact or actual costs consist of specific costs incurred by BE - wages, costs of raw materials and materials, payment for rent, etc. Implicit, exchanged outputs or missed, missed opportunity outputs are related to the fact that BE uses capital to produce a product, and therefore misses out on its alternative use. Limited funds force BE to use options of available opportunities depending on their usefulness. There will always be elements of foregone benefits, hence elements of uncertain outcomes. Any management decision to continue production of this or that product or expand it further is based on the calculation of specific and non-specific costs [1]. The choice between one or another economic decision always characterizes consciously lost or rejected opportunities to achieve other goals. The concept of "expenditures of BE" differs from the concept of "outputs of BE" in that they are directly connected with financial categories and, first of all, the cost of products. Therefore, the costs of BE can be defined as follows: the monetary value of resources used to obtain profit or achieve

other goals of BE is called BE costs [2]. The concept of "costs" is broader than the concept of "cost". Because the cost reflects a part of the total costs (normal production costs). The cost of the product (work and service) consists of the value of raw materials, materials, fuel, energy, fixed assets, labor resources and other costs of their development and realization used in the production process of the product (work and service). In practice, the concepts of "total product cost" and "product unit cost" are widely used. In various sectors of the economy (industry, agriculture, trade, catering, construction, etc.), there are specific features of reflecting expenses in the cost structure of the manufactured product [3]. The composition of costs included in the cost depends, on the one hand, on the tax policy applied to the economy and on the other hand, on the state and structural structure of the economy. Depending on the conditions and directions of BE activity, expenses are divided into the following two large groups:

- expenses related to production and realization;
- non-realization expenses; Costs associated with production and sales usually

include:

- costs of preparation, storage and delivery of products, execution of work, provision of services, purchase and sale of goods (work, service, property rights);
- the costs of maintenance and operation, repair and maintenance of fixed assets and other assets, as well as their maintenance in a corrected state;
- expenses of development of natural resources;
- expenses related to research and experimental development;
- mandatory and voluntary insurance costs;
- other costs related to production and sales. In addition to the above, these costs

can be further classified as follows:

- material costs;
- labor costs;
- calculated depreciation amounts;
- other expenses.

total costs of BE, includes:

- material expenses;
- amortization allowances;
- labor costs;
- allocations for social needs;
- changes in work-in-progress balances and other costs;
- costs of the next period;
- reserves for future expenses and payments, etc.

Non-realization costs will not be related to the production and sale of the product. In order to ensure effective management of resources, the cost of the product is calculated according to the separately obtained units of BE. It includes the expenses of

this department and becomes the basis for drawing up a planned calculation, that is, a budget (estimate) of BE expenses for a certain period. All expenses of BE can be classified in different directions (depending on what is the basis of this or that classification) [5].

Usually, the classification of costs includes their division into groups according to the following characteristics:

- in relation to the volume of production;
- according to economic elements;
- on calculation items;
- in accordance with the method of transfer to the cost of the product;
- depending on the level of regulation by the state, etc.

Production are classified into the following groups:

- permanent expenses;
- variable costs.

Fixed costs will not depend on the volume of production. These costs will be available even in cases where the activity of BE is stopped or during its establishment. Such expenses include depreciation of its fixed assets, rent of buildings, salaries of administrative and service personnel, some forms of taxes, etc. Variable costs change proportionally to the volume of production. The composition of such costs consists of costs related to raw materials, components and semi-finished products, fuel and energy for technological needs, salaries of key workers, etc. At the same time, the division of BE costs into fixed costs and variable costs is conditional. The reason for this is that over a long period of time all costs of BE change. Therefore, they are often referred to as contingent-fixed and contingent-variable costs. This division of costs is used in the analysis of break-even, in the optimization of the structural structure of the manufactured product, as well as in the implementation of financial planning. The sum of fixed costs and variable costs is the total cost of production and sale of the product. According to their economic elements, costs can be divided into the following groups:

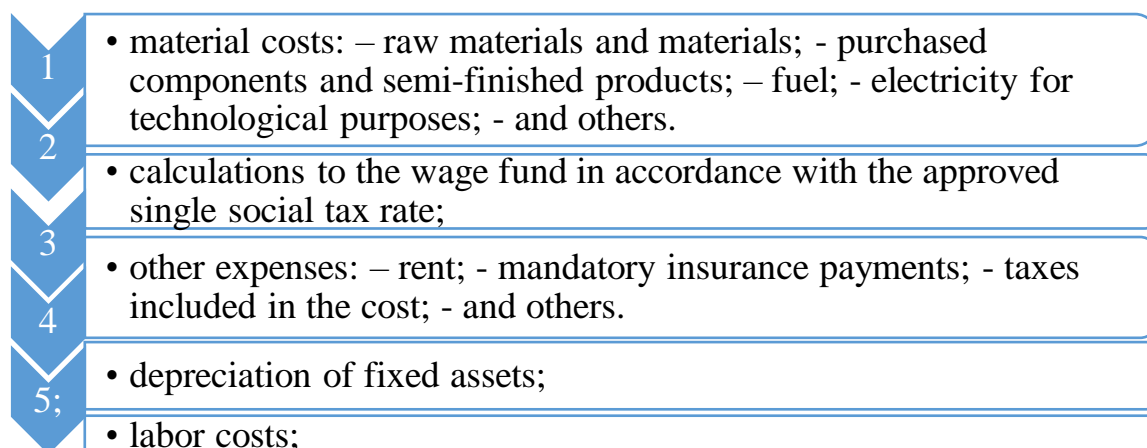


Fig 1. Economic elements in Business entity

Economic elements are cost representations that perform a specific task in the

production and sale of a product. The division of costs into economic elements is used to estimate the production costs of the entire volume of the product. The elemental structural structure of the cost price differs by branch of industry, depending on the weight of one or another appearance of costs. If material costs play a decisive role in the cost of production in material-intensive industries, the main contribution to labor-intensive industries corresponds to labor costs. There are also energy-intensive networks, the costs of energy resources (non-ferrous metallurgy, chemical industry, light metal production) take a large part in their cost. On the other hand, in networks with fund capacity, a large amount falls on the costs related to the amortization of the main funds and their storage. Expenses on calculation items can be divided into:

- raw materials and materials;
- returnable waste;
- and energy for technological purposes ;
- basic and additional wages of key production workers;
- Single social tax calculations;
- maintenance costs of machines and tools;
- general production costs;
- general expenses;
- other production costs;
- business expenses.

Classification of costs by calculation items is carried out by individual types of products taking into account their unique characteristics. According to this sign, the expenses of BE are divided into two:

- correct costs;
- curve costs.

Direct costs include costs associated with the production of a specific type of product. They can be directly included in the cost of this product. For example, costs related to raw materials, basic material costs, purchased semi-finished products and components for a specific type of product are such costs. Curved costs are associated with the implementation of the production process in the entire BE or the production of several types of products. For example, these include the maintenance of buildings and machinery, the costs of their repair, the costs of labor related to the management apparatus, and others. These costs are included in the cost of specific types of goods in proportion to some conditional basis, in most cases, in direct proportion to the correct costs.

Depending on the level of regulation by the state, expenses are divided into two:

- adjustable costs;
- non-standard costs.

Such a division of costs is usually used when a relevant decision is made in the

field of taxation. Standardized expenses include expenses within the framework of standards established for the purpose of calculating taxable profit. Cost reduction is one of the most important ways to increase the efficiency of BE work. Usually, the following main ways of reducing costs are distinguished:

- use of innovative production technologies that save resources;
- increase labor productivity;
- to improve the quality of production organization and management;
- increase the qualification level of personnel;
- Justification of the strategic goals of the development of BE and accurate implementation of the adopted strategy;
- Improving the management technique and technology of BE, ensuring the validity of the adopted management decisions;
- reducing the weight of raw materials and material costs, achieving continuous operation of providing services;
- effective operation of marketing service, development and implementation of marketing strategy of BE;
- Reduction of all forms of losses in BE, use of waste, secondary materials and energy resources, passenger products, etc.

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- Reduction of all forms of losses in BE, use of waste, secondary materials and energy resources, passenger products, etc. Budgeting (development of estimates, cost planning and variance control) serves as the basis for the analysis of BE costs.

Conclusion

Discussed the costs of economic entities, their composition and classification. It was noted that expenses have a great impact on the efficiency of economic activity, profit and income. It was shown that costs can be grouped according to functional, economic and other criteria. The importance of cost control, planning and improving efficiency was emphasized. Cost analysis helps businesses optimize business strategies, increase profit margins, and strengthen competitiveness. Proper cost management of economic entities is important for achieving economic efficiency, strengthening competitiveness and ensuring long-term sustainable development.

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