



FUNDAMENTALS OF COST ACCOUNTING IN PUBLIC SECTOR INSTITUTIONS

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Abstract.In this article, the occurrence of costs in public sector institutions, their recognition, types of costs and the circumstances related to them are theoretically and methodologically researched. Features of cost accounting and reporting in public sector institutions are described. Scientific proposals and practical recommendations are presented regarding the existing problems related to cost accounting in public sector institutions and their solutions.

Key words: budgetary funds, budgetary institution, extrabudgetary funds, accounting, financing, cash cost, actual cost, report.

INTRODUCTION

Public sector institutions are provided with financing from the state budget, and in the course of their activities, they carry out expenses related to the performance of the tasks assigned to them. In particular, resources are spent in medical institutions, educational institutions, cultural, art and sports institutions, institutions of the defense system, state power and management agencies and other similar organizations in connection with their activities. Therefore, budget organizations are the main consumers of state budget funds.

At this point, the head of our state, Sh.M. Mirziyoyev, said, " Of course, the State budget is not without measure, it is necessary to save funds strictly, ensure that they are used for the specified purpose and rationally." This is an obvious and undeniable fact. ” (Mirziyoyev, 2017) indicates that the purposeful and targeted implementation of budget expenditures is directly related to the correct recognition, accounting and analysis of expenditures in budget organizations.

As a continuation of our opinion, if we look at the execution of the state budget expenditures of the Republic of Uzbekistan in 2023, 53 percent of the total budget expenditures are social expenditures, 10 percent of economic expenditures, 7 percent of centralized investment financing, 4 percent of maintenance costs of state authorities and administrative bodies, citizens' we can see that the maintenance costs of self-governing bodies are 1 percent, reserve costs are 1 percent, and other costs are 24 percent.

State budget expenditures are carried out by a total of 30,538 public sector institutions related to the above-mentioned areas and directions. For targeted allocation and targeted spending of budget funds, systematic accounting and periodic reports are required. In this, the



state budget treasury execution system is of particular importance and creates specific features related to cost accounting in public sector institutions.

Expenditures of public sector institutions are financed by the treasury on the basis of cost estimates, liabilities are registered by the treasury, expenses in organizations are taken into account in the form of actual expenses and cash expenses, the occurrence of receivables and creditor obligations depending on the above expenses and the calculation -booking creates unique aspects in the accounting and reporting system. Based on these circumstances, it is necessary to conduct scientific research on this topic.

LITERATURE REVIEW

There are a number of academic works related to the organization and maintenance of accounting and financial reporting in public sector institutions. In particular, one of the scientists of our country, S. Mehmonov (2018), carried out scientific research on improving accounting, accounting policy and internal audit methodology in budget organizations.

Sh. G'aniev (2008) studied the issues of accounting for salary calculations in budgetary organizations. In this process, it is recognized that the calculations related to wages are recognized as actual costs.

K. Ibragimov (2018) studied accounting and reporting issues in budget organizations. It was noted that the report on the implementation of the cost estimate will reflect the information on cash and actual costs.

However, in the conditions of the reforms implemented by the scientists of our country regarding the execution of budgets of the budget system, a separate study on the features of cost accounting in public sector institutions has not been carried out.

Russian scientists led by N. Kondrakov (2006) researched the issues of budget accounting and reporting, accounting in budget organizations. They theoretically and practically covered the occurrence, content and features of cash and real expenses of budget organizations.

Polish scientist Monika Raulinaitis (2014) grouped costs related to price formation in health care institutions, presented her views on their occurrence and impact on prices, established requirements for their accounting, and classification of costs.

Most of the researches carried out by foreign scientists studied cost accounting at the macro level and paid attention to the openness and transparency of the costs made in the public sector based on the international standards of public sector accounting .

ANALYSIS AND RESULTS

Public sector institutions are financed from the state budget on the basis of expenditure estimates, on the basis of extra-budgetary income and expenditure estimates. The cost estimate is made up of the planned costs and their spread (based on the economic classification of costs) during the financial year. Estimates of extrabudgetary funds consist of revenue and expenditure parts, and the revenue part reflects the forecast of revenues for the fiscal year. In the expenses part, the expenses incurred in the financial year and their spread are planned based on the economic classification of expenses.

According to their economic characteristics, the expenses of public sector institutions are divided into the following four groups:

the first group — wages, pensions, allowances, scholarships, compensation payments and financial assistance to low-income families;

the second group — allocations for social needs;

the third group — capital investments (in accordance with clearly targeted lists provided for in state development programs);

the fourth group — other expenses (Budget Code of the Republic of Uzbekistan, 2013).

All financial and economic operations of public sector institutions are carried out within the framework of estimates. The implementation of the budget and extrabudgetary budget estimates is the same, but it is considered separately according to the source of funding.

The implementation of cost estimates of public sector institutions is carried out in the form of actual costs and cash costs for these cost groups (Fig. 1).

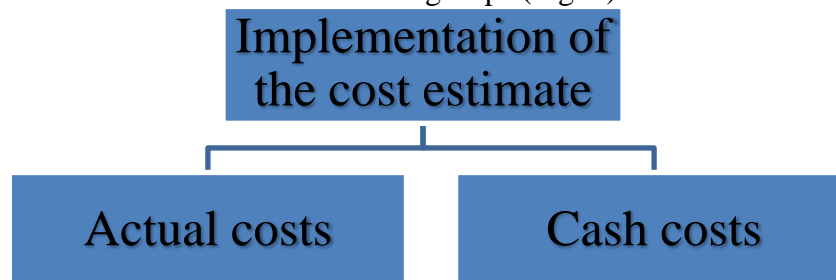


Figure 1. Execution of the cost estimate¹

Actual costs are the recognition of liabilities and reductions in the net value of assets (according to the accounting method of income and expense recognition) by public sector institutions as part of the cost estimate. Cash costs are the consideration of making advance payments and paying off existing obligations (financing).

this point, it should be noted that financing of public sector institutions from the state budget is recognized as cash expenses. In terms of content and logic, it is wrong to consider the financing of public sector institutions as cash expenditures. Since financing has the characteristics of income from the point of view of its creation and application, it is appropriate to use it as the concept of "financing from the budget".

Actual costs and cash costs are also included in the budget. Since the implementation of the state budget is based on the cash method, special attention is paid to summarizing and analyzing the data on cash costs of public sector institutions. Real expenses, as they appear in the context of the decrease in the net value of assets and the creation of liabilities of public sector institutions, do not pay much attention to the generalization and separate analysis of information about them.

However, actual costs and cash costs are considered interrelated, and the difference between them is recognized as receivables or payables (Figure 2).

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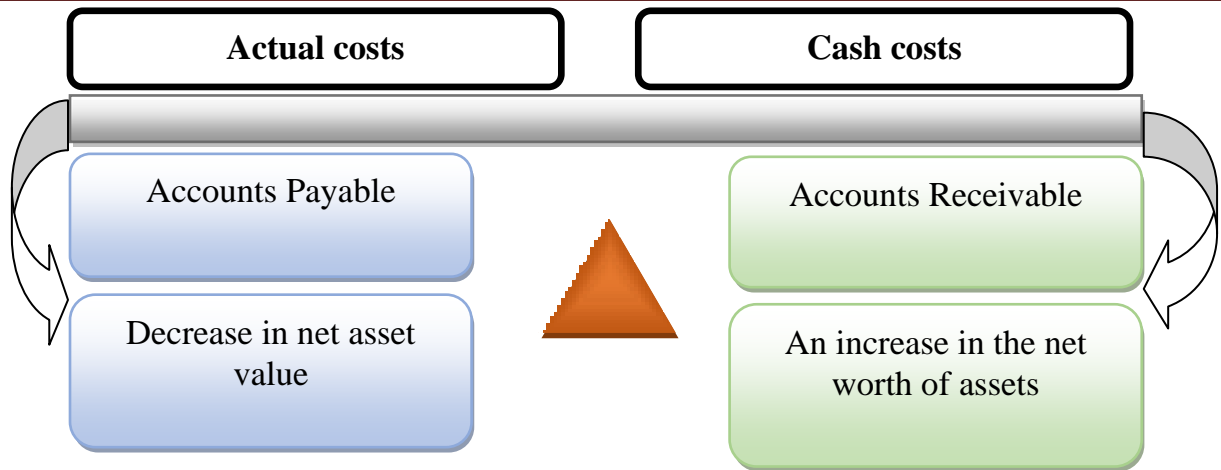


Figure 2. The relationship between actual costs and cash costs²

As a result of the analysis, it turns out that the accounts of public sector institutions with debtors and creditors directly depend on cash expenses and real expenses. Therefore, it is considered necessary to separately study and analyze the expenses of public sector institutions, and by keeping their accounts, it will be possible to perform, analyze and control the calculations of receivables and payables in a timely manner.

In addition, the relationship between actual costs and cash costs affects the change in the net value of assets. If the actual expenses in the reporting year are greater than the cash expenses, it indicates that the value of assets has decreased during this period, i.e., depreciation has been calculated on fixed assets, intangible assets have been written off, goods material reserves have been given for use or written off. On the contrary, it indicates that the net value of assets has increased during the period of financial reporting, that is, new fixed assets, intangible assets, goods material reserves have been accepted into the balance sheet of institutions, and completed objects have been accepted. From these cases, it can be seen that actual expenses and cash expenses directly affect the financial condition of public sector institutions.

On the other hand, if we analyze the relationship between actual costs and cash costs according to the cost groups of the cost estimate, during the accounting period, the first group is wages, pensions, allowances, scholarships, compensation payments and less we can see that first real expenses and then cash expenses arise in terms of financial assistance to well-off families and the second group - allocations to social needs. The third group — capital investments (in accordance with clearly targeted lists provided for in state development programs) and the fourth group — other expenses (expenditure on assets), first cash expenses and then real expenses arise. we can reach (Table 1)

²Compiled by the author

Table 1 :The sequence of occurrence of expenses for the implementation of cost estimates in public sector institutions³

Cost estimates cost groups	Creation of actual costs (AC) and cash costs (CC).	
	1	2
First group costs		
wages, pensions, allowances, scholarships, compensation payments and financial assistance to low-income families	AC	CC
advance payments on wages	CC	AC
Second group costs		
single social payment	AC	CC
mandatory employer's liability insurance	CC	AC
The third group — capital investments (in accordance with clearly targeted lists provided for in state development programs)	CC	AC
The fourth group is other expenses		
<i>from that</i>		
expenditure on assets	CC	AC
service charges	AC	CC
business travel expenses	CC	AC
costs of staff training	CC	AC

Based on this table, if we analyze the correlation of actual expenses and cash expenses with balance items of the reporting year, it will look like this (Table 2).

Table 2: Correlation of actual costs and cash costs with balance sheet items⁴

Cost groups	Changes in balance items
First group costs	
wages, pensions, allowances, scholarships, compensation payments and financial assistance to low-income families	increased liabilities
Second group costs	
single social payment	increased liabilities
The third group — capital investments (in accordance with clearly targeted lists provided for in state development programs)	increase in net worth of assets
The fourth group is other expenses	
<i>from that</i>	
expenditure on assets	increase in net worth of assets
service charges	increased liabilities

³Compiled by the author

⁴Compiled by the author



Salary advance payments, mandatory employer's liability insurance, business trip expenses, employee training expenses are reflected in the current period as cash expenses and actual expenses and are reflected in the balance sheet in accordance with each other. These costs are mutually exclusive.

We can see from the tables that the sequence of occurrence of actual costs (AC) or cash costs (CC) for each cost group is different. However, by analyzing the occurrence of these costs, it is possible to determine the limit of the relationship between them. In particular, in the case of an increase in the net value of the organization's assets, cash costs arise, and in the opposite case, real costs arise.

In public sector institutions, the account of execution of estimates is maintained directly in connection with other accounting objects and covers all financial and economic processes of the organization. In this case, accounting of expenses as actual expenses and cash expenses not only helps to implement the financial plan, but also serves to form reliable information about the financial status of the organization.

CONCLUSION

In public sector institutions, expenses arise directly in the process of execution of estimates, as they cover all financial and economic activities related to the implementation of the organization's activities. Expenses are recognized as actual expenses and cash expenses on the basis of initial documents and are continuously taken into account in the institution's accounting.

Actual costs and cash costs are carried out within the budget, and therefore, ensuring their compatibility is considered one of the main aspects of the accounting of the institution. Accounting of actual expenses and cash expenses is directly focused on determining the financial status of the institution.

It has been determined that there are some problematic aspects related to the organization and maintenance of cost accounting in public sector institutions, and we believe that it is appropriate to mention the following in order to solve them in a positive way:

according to the national and international standards of accounting, the minimum requirements for the recognition and accounting of expenses are defined. However, in public sector institutions, there is no standard that determines the exact criteria for the recognition of expenses and the procedure for their accounting. Development of budget accounting standards for recognition of expenses and organization and maintenance of their accounts in public sector institutions, reflection of expenses incurred in reports;

Actual expenses and cash expenses are kept in connection with the implementation of the cost estimate for financing the institution from the budget. Of these, cash expenses are similar to income in terms of the location and nature of formation. For this reason, it is called budget financing of cash expenses for the execution of the cost estimate;

it is necessary to establish a periodic analysis of expenses in public sector institutions, and their relationship with them, in terms of their impact on the state of the organization's funds and their sources.

In general, the implementation of the above works will serve to further increase the opportunity to analyze the financial situation of the organization through the creation of expenses



in public sector institutions, their grouping and recognition, the formation of systematic information in accounting and their analysis.

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