

THEORETICAL FOUNDATIONS OF ACCOUNTING FOR FINISHED GOODS:
INTERNATIONAL AND NATIONAL ASPECTS

Tohir Tolmas Ugli Sattarov

Assistant at the Department of “Accounting and Auditing,” SamISI (Samarkand Institute of Economics and Service), independent researcher.

Abstract

This article presents the characteristics of the production of finished pharmaceutical products, their theoretical foundations, similarities and differences based on international and national standards, shortcomings in their production, as well as recommendations for improving the economic efficiency of enterprises operating in this field.

Keywords

Pharmaceuticals, medicinal products, finished goods, international standards, national standards, inventory, stocks.

Introduction. The “Target Indicators of Budget Expenditures and Development Programs of Main Budget Allocators for 2022–2024,” set out in the Resolution of the President of the Republic of Uzbekistan “On Measures to Ensure the Implementation of the Law of the Republic of Uzbekistan ‘On the State Budget of the Republic of Uzbekistan for 2022,’” establish the strategic objective of reforming the pharmaceutical sector. In particular, this includes improving the system of public administration in the industry, widely introducing market mechanisms, strengthening the legal framework governing relations among entities engaged in the cultivation, processing, and sale of agricultural products, attracting investment into the sector, implementing resource-saving technologies, and equipping pharmaceutical manufacturers with modern equipment.

In the context of the digital economy, significant changes are occurring in the direction of economic and social development. This, in turn, leads to the creation of innovations in the effective use of ICT both in enterprises and in the field of education. In this regard, a number of Uzbek scholars, including I.T. Abdukarimov, E.A. Akramov, O. Bobodzhonov, A.V. Vakhobov, E.F. Gadoev, M.M. Tolakhodzhaeva, D. Kudbiev, R.D. Dostmurodov, M.E. Pulatov, M.K. Paradaev, K.B. Urazov, R.A. Abdullaev, G.N. Musaev, A.I. Alikulov, S.N. Tashnazarov, D.R. Rafeev, D.Dzh. Pashakhodzhaeva, U.A. Shirinov, B.F. Boronov, Z.U. Muhammadyev, and others, have highlighted these studies.

Furthermore, foreign scholars such as A.A. Adamenko, V.V. Bashkatov, G.E. Golkina, A.F. Kuzina, R. Robertson, Dodge, P.I. Kamishanov, Hermanson, Roger H., James Don Edwards, Pizzi, V.F. Paliy, and others have thoroughly examined the preparation and auditing of reports on the movement of materials and finished products, from which one can learn through their published textbooks, manuals, and articles

Urazov K.B. Po‘latov M.E. Buxgalteriya hisobi darslik 2020 558 bet Abdullayev R.A. Buxgalterskiy uchets i audit. Uchebnoye posobiye. –Tashkent, 2011; Mirzayev Q.J., Pardayev M.Q. Xizmatlar sohasi iqtisodiyoti. // O‘quv qo‘llanma. – T.: “IQTISOD-MOLIYA”, 2014. -384 b.; Abdukarimov B.A. Korxonalar iqtisodiyoti. Darslik.// -T.: Fan, 2005. -288 b.; Urazov K.B. Savdoda buxgalteriya hisobi va soliqqa tortish. –T.: Iqtisodiyot va huquq dunyosi, 2004.–336 b.; 101. Urazov K. B. Buxgalteriya hisobi va audit: Oliy o‘quv yurtlari uchun. – T.: O‘qituvchi, 2004.



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The solution of such pressing problems and tasks at enterprises in our country today requires improvement not only in practical aspects but also in theoretical issues related to the accounting of finished products.

The International Accounting Standard (IAS) No. 2 “Inventories” defines the term “inventories” as follows:

"Inventories are assets in the form of raw materials and supplies intended for sale in the ordinary course of business, in the process of production for such sale, or intended for use in the production process or in the provision of services."

The conducted research also required the study of the opinions and perspectives of a number of foreign scholars on this issue and their definitions.

The Russian scholar S.N. Polenova stated: *"A finished product is a product whose production process at the enterprise has been fully completed, which meets the requirements and technical conditions of the standard, has been accepted by the technical supervision service, documented with an acceptance and shipment act, and transferred to the finished goods warehouse."*

The National Accounting Standard of the Republic of Uzbekistan No. 4 contains the following definitions:

Inventory – material assets stored for subsequent sale in the course of operations and in the process of production, as well as used in the production of goods, performance of work, or provision of services, or for fulfilling administrative and social tasks.

Finished product – a product manufactured by an organization (an asset whose processing [completion] has been finalized), intended for sale, and, in cases established by contracts or legislative acts, complies with the requirements of other relevant documents.

When conducting research on products, including finished products, it is essential to take into account the scientific studies of scholars from our country.

According to economists K.S. Ismailov and A.B. Utemuratov, *"A finished product is the result of the production process. In manufacturing enterprises, all produced finished products are considered labor products."*

Industry dictionaries and online sources provide the following definitions for these categories:

Product – the result of economic activity embodied in goods and services. Its material form is a tangible product.

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<https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards/english/2022/issued/part-a/ias-2-inventories.pdf>
<https://qomus.info/encyclopedia/cat-m/mahsulot-uz/>

Finished product – a category of goods characteristic of manufacturing enterprises. It refers to products whose production is completed but which have not yet been sold or shipped to suppliers.

Finished product – the final output of the production process at an enterprise. A finished product is considered an item that has undergone all stages of technological processing,



meets approved standards and technical specifications (with a certificate or other document confirming its quality), has been accepted by the technical control department, and has been delivered to the warehouse or shipped to the customer.

Finished product refers to goods or items that have been manufactured or acquired in a ready-to-use form throughout the entire production cycle but have not yet been sold to customers.

Finished product also refers to products and semi-finished goods that are fully processed, comply with current standards and technical requirements, and have been accepted at the warehouse of the organization and the customer (buyer).

Finished product (FP) – a product manufactured by a company for future sale.

Thus, as a result of the conducted research, based on the definitions and descriptions presented in the literature, it can be concluded that a finished product is a product independently manufactured and refined by an enterprise, which must fully comply with the requirements established by the state and be ready for sale to customers from the warehouse. For a manufacturing enterprise, this asset, considered a finished product, represents an acquired inventory intended for the reproduction process at the purchasing enterprise.

The definitions provided by foreign and domestic scholars, as well as international and national standards and informational sources, have significant scientific and practical value and reveal important aspects of finished products. However, from these definitions, it is clear that there is no single definition of finished products, including finished pharmaceutical products, that encompasses all their properties. It cannot be said that they provide descriptions reflecting all aspects of products and finished products.

So, what are the tasks of accounting for finished products today? What does our current national standard cover regarding the assets of an enterprise, and what problems exist? What approaches are adopted in the International Financial Reporting Standards (IFRS), and what are the needs for improving our national standard? What should be taken into account when refining the theoretical foundations of finished product accounting?

<https://www.indeed.com/career-advice/career-development/finished-goods>

8. <https://www.b-kontur.ru/enquiry/911-uchet-gotovoy-produkcii-v-buhguchete>

Seeking answers to these and other pressing questions related to the accounting of finished products is one of the important tasks facing both international and national accounting practices.



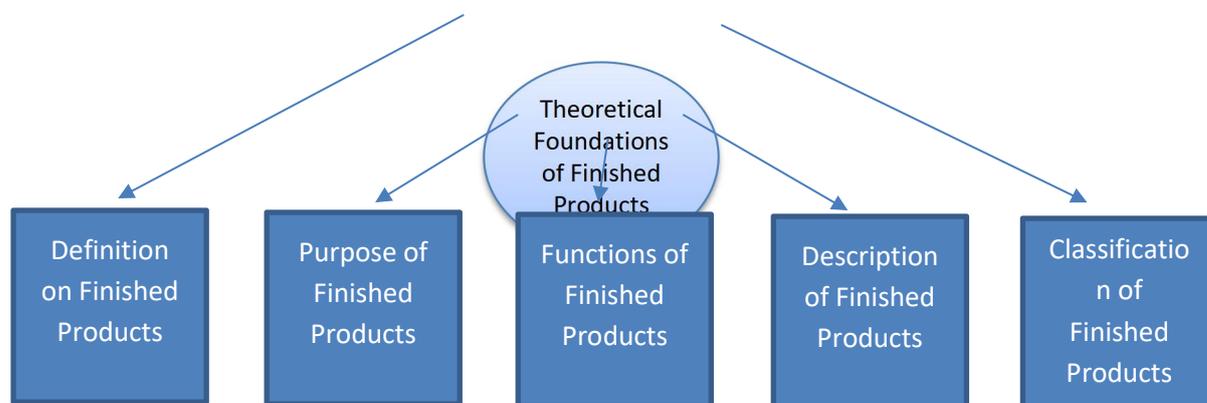


Figure 1. Components of the Theoretical Foundations of Finished Products

The purpose of accounting for finished products as an integral object is to determine the cost of finished products at enterprises, establish control over revenues and expenses recorded as a result of their sale, and meet the needs of internal information users. Proper accounting of these processes implies providing enterprises with accurate information that meets the needs of internal users regarding finished product accounting and ensures the possibility of making correct and timely managerial decisions.

Therefore, to fully achieve the purpose of accounting for finished products at pharmaceutical enterprises, it is considered essential, first of all, to correctly identify the indicators affecting the cost of this asset, provide this information to management promptly and accurately, and ensure that management has the opportunity to make correct decisions regarding the pricing of finished products.

During the study of international and national accounting standards, it became clear that, although there is no clear standard for finished products that explicitly describes their general characteristics in accounting, standards for their accounting have been developed. In the course of the research, these standards were studied and compared (Table 1):

Table 1

Comparative Table of Developed International Financial Reporting Standards for Finished Products with National Accounting Standards

International Financial Reporting Standards (IFRS)	National Accounting Standards
Conceptual Framework for Financial Reporting	Conceptual Framework for the Preparation and Presentation of Financial Statements
IFRS 1 “Presentation of Financial Statements”	NAS 1 “Accounting Policy and Financial Reporting”
IFRS 2 “Inventories”	NAS 4 “Inventory”
IFRS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”	NAS 1 “Accounting Policy and Financial Reporting”
IFRS 12 “Income Taxes”	
IFRS 21 “The Effects of Changes in Foreign Exchange Rates”	NAS 22 “Accounting for Assets and Liabilities Denominated in Foreign Currency”



IFRS 23 “Borrowing Costs”	NAS 24 “Accounting for Borrowing Costs”
IFRS 29 “Financial Reporting in Hyperinflationary Economies”	
IFRS 34 “Interim Financial Reporting”	NAS 3 “Statement of Financial Results”
IFRS 37 “Provisions, Contingent Liabilities and Contingent Assets”	
IFRS 41 “Agriculture”	
IFRS 1 “First-time Adoption of International Financial Reporting Standards”	
	NAS 15 “Balance Sheet”
	NAS 19 “Organization and Conduct of Inventory”
	NAS 21 “Accounting Reporting Plan for the Financial and Economic Activities of Business Entities and Instructions for Its Application”
IFRS 13 “Fair Value Measurement”	
IFRS 15 “Revenue from Contracts with Customers”	NAS 2 “Revenue from Core Business Activities”

From the data presented in the table, it is evident that there are both similarities and differences between international and national standards, and their application in the activities of pharmaceutical companies is of significant importance. Based on the results of the study and the definitions and descriptions presented above, the following conclusions can be drawn:

Conclusions and Recommendations

The current situation in the economic market places such demands on organizational management that every company must carefully select new technologies for effective accounting and continuously improve existing accounting systems. Theoretical and practical study of the results has allowed us to draw relevant conclusions and develop proposals and recommendations. In our view:

First, in international accounting doctrine and practice, finished products are recognized as an important type of enterprise asset and, accordingly, a significant object of accounting and reporting.

Second, although finished products are an object of accounting, there are no uniform definitions that clearly and comprehensively express their essence.

Third, we believe that a unified system of criteria underlying the classification of finished products has not been developed and is not reinforced by international standards.

“Finished products are understood as a liquid asset intended for sale, which has undergone all stages of the production process at the enterprise, delivered to the main warehouse, fully complying with state-established standards and technical conditions, and has completed all stages of manufacturing.”

In our view, the above definition of finished products reflects all aspects of finished products, meets the requirements of the general definition provided in NAS 4 “Inventories and Material Stocks,” and contributes to the further enrichment of its content.

Currently, in our country, financial, tax, and statistical reporting—for example, that conducted by the Ministry of Finance—does not provide for the distinction of finished products into primary, auxiliary, and by-product types, nor has a classification system been developed. This makes it necessary to revise the structure of existing tax, statistical, and other reports, as well as to theoretically improve the accounting and reporting of finished products in



bookkeeping. Therefore, in our study, we considered it essential to classify products manufactured in the pharmaceutical industry by type, determine their composition, and reflect this in accounting and reporting.

In our opinion, the theoretical foundations of finished products should be understood primarily as a combination of their definition, description, components, classification principles, purpose, functions, and methods of reflection in reports. This, in turn, constitutes the conceptual foundations of finished products. Therefore, the study of their theoretical and conceptual bases is one of the important tasks of accounting.

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