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IMPROVEMENT ACCOUNTING OF SALES AGRICULTURAL PRODUCTS ON FARM ENTERPRISES

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Abstract

In this study we examine the selling process of farm enterprises, particularly, we will investigate the approach of improving the accounting of sales. The study also examines the factors associated with recognition of revenue in the phase of sale of goods and services of farm enterprises. The findings show that there are numerous mistakes in accounting of sales and financial statements. In addition, we conclude that the main contribution of IAS 41 is to provide a strong conceptual framework in agricultural accounting practice. However, this standard is mainly used in EU. In the study we try to find the ways of applying of IAS 41 in accounting system of farms of the region Samarkand.

Introduction. In recent years, as a result of implementing economic reforms, there has been created a system which provided a legal framework for the activities of all types of different ownership types in Uzbekistan. Some reforms had to be made towards the development of accounting. A full-fledged accounting reform could not be implemented without a new modern Law on Accounting that would be fully compliant with internationally recognized principles and methods. Therefore, the adoption of the Law on Accounting on 30 August 1996 ensured the implementation of uniform procedures for the state regulation of accounting activities in all companies, institutions and organizations of different ownership types. In addition the Law ensures the establishment of new accounting standards which are compliant with IAS, provides for the underlying accounting framework and main accounting principles in Uzbekistan and indicates rights, obligations and liabilities of entities in the area of accounting as well as requirements to the preparation and presentation of financial statements.

Presently, there are mainly two types of producers in agriculture in Uzbekistan: farms and households. In addition, there are two types of strategic crops such as cotton and wheat. All cotton is produced by farms, whereas households are engaged in producing different crops excluding cotton. There is a state order for cotton and all of it is sold to the cotton plants in strict prices indicated by the government. In turn farms which grow wheat have to sell a sufficient amount of it to the state, and only exceeding wheat can be sold in the open market. On the other hand farm enterprises engaged in livestock production are rather free in selling dairy and meat products. Also government is supporting vegetable and fruit production by diversifying agriculture production.

Accounting - a basic control function. It is the accounting system that reflects the actual information for each type of plant and equipment, material, raw materials, fuel, energy, labor, financial resources. That allows you to direct and coordinate financial and production management systems.

Accounting for sale and its methods are studied in modern science - a modern economy, financial and managerial accounting, as one of the main directions. Modern foreign scientists W.T.Harrison, Ch.T.Horngren, G.Foster, B.E.Needles, K.Druri, M.Z.Pizengolts, V.F.Paliy, A.D.Sheremet (W.T.Harrison, Ch.T.Horngren (2008), *Financial Accounting* (7th ed.), Pearson, Retrieved from <http://www.twirpx.com>. Ch.T.Horngren, G.Foster (2000), *Cost Accounting a Managerial Emphasis* (6th ed.). B.E.Needles (2011), *Principles*

of Accounting (11th ed.), South-Western, Cengage Learning, USA. K.Druri (2001), *Management Accounting for Business Decisions* (2th ed.), Thomson Learning, London. A.D.Sheremet (2010), *Accounting and Analysis* (pp.296-314), Moscow.M.Z.Pizengolts (2002), *Accounting in agriculture* (Issue #1, pp.408-426), Moscow.V.F.Paliy (2001), *Financial Accounting*, IDFBK - Press, Moscow.) in their scientific literature have produced scientific researches on the improving accounting methods of sales.

Uzbek scientists as N.S.Sanaev, R.Dustmurodov, A.A.Karimov, B.A.Hasanov, K.B.Urazov, A.I.Alikulov (N.S.Sanaev (2005), *Bases of Accounting*, Tashkent. R.Dustmurodov (2014), *Accounting in Agriculture and Basic Statistics* (pp.229-260), Tashkent.A.A.Karimov (2004), *Accounting*, Tashkent.B.A.Hasanov (2013), *Management Accounting* (2nd ed.), Tashkent.K.B.Urazov (2009) *Peculiarity of Accounting in Agricultural Enterprises*, Samarkand: Uzbekistan. A.I.Alikulov (2010), *Accounting in farms*(2th ed., pp. 151-161), Samarkand: Uzbekistan.)also produced an effective scientific research on specific areas of improvement methods accounting of sales in economic subjects.

However, in industry questions of application of improving accounting of sales of the agricultural enterprises are unstudied as a separate, scientific object in this area full-scale scientific scrutiny is not carried out. In view of the need to develop scientific-practical proposal and recommendations for the improvement accounting of sales in the farm enterprises was the basis to define the purpose and tasks of the study.

This study investigates the methodology of sales accounting in farms and the improvement of preparation of comprehensive financial statements for internal and external users. It is important for agricultural producers to register transactions in a timely manner without loss debit manufactured products, as well as maintain quality and prevent loss of production in its implementation. For timely delivery of products to the consumer it is very important to consider conditions of a contract. In accounting, sales of finished products is related to the process of realization. The process of realization is considered to be the final process of all business processes and in market conditions it is decisive in comparison with others. Since eventually produced finished products will be transformed into cash, timely conversion of finished goods into cash strengthens the economy farms. Selecting a record-keeping system is an important decision for agricultural producers. The system should help with decision making in a risky environment and calculate

taxable income. Most producers keep their records with the cash receipts and disbursements method or with an accrual method.

Actuality of the study.

Since its independence Uzbekistan selected its own course of development, so called "Uzbek Model of transition to socially oriented market economy" based on five key principles: the priority of economics over politics; the state is the main reformer; the rule of law in all areas of life of the society; strong social policy; step-by-step transition to market relations. Improving economic governance, the use of various forms of ownership, the establishment of enterprises with foreign partners, a focus on International Accounting Standards requires a further increase in the role and importance of accounting. Accounting is one of the most important types of information, the basis of rational management and forecasting. By using economic accounting different tasks of economic management will be carried out, i.e. conditions of use of material and financial resources will be controlled; internal reserves will be determined; the drawbacks of the work will be eliminated and as a result the efficiency of economic calculations will be increased. Economic accounting plays an important role in preventing criminality. Currently, Uzbekistan has a system of economic accounting, consisting of three interrelated types of accounting, namely, an operational, statistical and accounting.

Operational accounting is used for daily management and business management areas, industries, shops, etc. With the help of operational accounting, management personnel receives information about the movement of material resources in the enterprise, on the volumes of output, its shipping and implementation of a production stocks, etc. The source of information for the preparation of such information may be both documents and data, obtained by telephone or verbally. Operational accounting may be interrupted in time, and the need for it appears as necessary.

Statistical accounting is widespread in various areas of the economy, science, etc. Statistics collects and summarizes the information about the state of the economy, its development trends, the movement of labor, goods, securities, inventories, the size and composition of the population by age, sex, occupation, etc.

Accounting examines the quantitative aspect of economic activities in close connection with their qualitative aspect by a solid, continuous, well-documented and coherent registration of economic facts, both in monetary terms and in real terms. Accounting is an important means of systematic control over the use of material, money, labor, implementation of planned targets, identifying production of reserves in order to increase the

profitability of business. Accounting, constantly being improved, becomes an important part of establishing a market economy, the language of business and entrepreneurship, effective management function. It aims to contribute to a better organization of management, planning, forecasting, and analysis by providing account information at different levels of management. Accounting also has basic control functions. Accounting system reflects the actual information for each type of plant and equipment, material, raw materials, fuel, energy, labor, financial resources. That allows managers to direct and coordinate financial and production systems. In order to use effectively this information for the management of the company, it is needed such a system of accounting, which will be focused on the use of advanced methods of accounting, positive foreign experience, the International Accounting Standards, the widespread use of computer technology. Accounting is an ordered and regulated information system that reflects the status and movement of assets, liabilities and settlements, their own financial results of the business entity.

In the condition of liberalization and modernization of economy, it is essential that every entity should not only produce but also take care of sell these products on time. Accurately recording of all transactions related to sales, calculation of financial results, effectively organizing of internal auditing of sales, these are all the prerequisites of the development of accounting of sales. During their activity firms may sell goods, services and other assets. As a result, firms earn economic benefits from these activities. According to IAS 18 key issues in accounting for revenue are: how to measure revenue recognized and; when to recognize revenue - the primary issue relating to revenue. In order to convert the sales accounting system of an entity, it is essential to pay attention to definition of revenue; accounting treatments for revenue recognition; accounting entries for cash, credit sales and discounts; accounting method to recognize and record sales on consignment. According to the research there are several problems which may arise in sales accounting:

1. Cost of goods sold is not recorded separately and is included in the sales and administrative costs. In turn, this problem is a misstatement of gross profit and expenses.

2. The VAT (value-added tax) on sales is included in the total sales amount rather than recorded separately as a payable. As a result, sales revenue for the period might be overstated and VAT tax payable and profit might be also misstated.

3. If sales are made on consignment, revenue is recognized when goods are transferred to a sales agent. And because revenue is recognized

at a wrong time, sales revenue and profit are reported incorrectly.

Methodology.

Proper management of realization process and compliance with the terms of the contract for the sale of products leads contribution to well-organized primary, synthetic and analytical accounting. Organization and management of primary and consolidated accounting in farms of the Republic of Uzbekistan is regulated by the law "On Accounting" (August 30, 1996) as well as the "Regulations on the documents and their turnover in accounting", approved by the Ministry of Finance (December 23, 2003, # 131).

Proper organization and management of primary accounting implementation provides the following:

- Reduction of any loss in quality and quantity of products sold;
- Timely settlements with buyers and customers, preventing unwarranted appearance payables and debit;
- Reliable and timely maintenance of synthetic and analytical accounting of realization;
- Economically justification of each type of products sold;
- The timely preparation and submission of a segmental report on the realization.

In farm enterprises costs related with sales of products are calculated in accordance with the "Regulation on content of production and realization of products (services) as well as the order of formation of financial results". Selling expenses in accounting are accounted for as "expensed" and these costs are deducted from revenues received from the core business. Farms produce raw cotton under the state order, and all the produced cotton harvest fully sold the state. For realization cotton farms since the beginning of the year make a contract with the ginneries. During the sending (realization) of raw cotton from farm enterprises "Invoice of sending-acceptance cotton (form 1 with s/x-cotton)" is filled out. This initial document is issued in four copies and one copy remains in the farm that sent raw cotton as a document confirming that the raw cotton has been shipped. The remaining three copies after the requisite details are broken down as follows: one copy for the transport driver, one remains with the organization processing and final copy shall be in the accounting sector, together with a receipt confirming the reception of raw cotton (Form PK-17). Studying the process of design and analysis of the details of the document, indicate the need to improve the implementation of the reflection of raw cotton in the primary documentation. The document sets out some details, not reflecting the necessary information for the implementation of raw cotton, and the resulting information is not

always efficient. In addition, this document contains no data for some more information, and it would be better if they do not make four and three copies, and add details for the qualitative indicators, which is essential in the process of implementing. To improve the implementation of the primary account of cotton, we have developed a modified form of "bill of lading on the sending - receiving cotton (form number 1 s/x-cotton). Changes in the document allow timely and fully reflect the primary account the implementation of raw cotton.

Results.

During the realization process of raw cotton the farms make the following accounting records in correspondence accounts:

1. Debit 9110 - "Cost price of the sold product"
Credit 2810 - "Ready product in the storehouse" - the amount realized the planned cost of raw cotton.
2. Debit 4010 - "Bills accepted from the consumer and the client"
Credit 9010 - "Profit from selling the product" - the amount the sale price of raw cotton.
3. Debit 5110 - "Accounts receivable".
Credit 4010 - "Bills accepted from the consumer and the client" - the amount realized cotton received on account.

In practice, ginneries based on the terms of contract first transfer 90 % of the price of the purchased raw cotton and remaining 10% based on the results of the processing of raw cotton. If, after the processing of raw cotton fiber output below normal, then gins hold 50% of the shortfall of cotton fiber at a rate of farms. If, on the fiber yield higher than normal, the ginneries lists 60% of the excess amount of cotton fiber at a rate of farms.

Analysis of payments for sold raw cotton in the farms shows that the calculations after ginning in the accounts are not reflected. This affects the accuracy of the information about the financial results of the implementation. To improve the reflection in the accounting records and provide accurate information on the implementation of cotton we have proposed the following correspondence of accounts (Table 1, 2, 3, 4, 5, 6). The correspondence of the offered accounting bills reflection of cotton raw material selling process in accounting bills needs to be done according to the principles of accounting.

Conclusions.

Practical implementation of our suggestions not only makes the information about the accounting reliable and complete, but also creates opportunity to analyze the whole process of selling raw cotton material. As a result, by providing effectiveness of fulfilling administrative decisions the amount of production in farm enterprise can be increased.

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Table 1, 2, 3, 4, 5, 6 Proposed variant of the process of implementation of correspondence accounts of raw cotton

Table 1

The content of the operation	Corresponding bill	
	debit	credit
Cotton raw material was included into profit	2810-"Ready product in the storehouse"	2010-"Main production"

Table 2

The content of the operation	Corresponding bill	
	debit	credit
Cotton raw material was sold to the cotton cleaning plant On real cost price	9110-"Cost price of the sold product"	2810-"Ready product at the storehouse"
On selling price	4010-"Bills accepted from the consumer and the client"	9010-"Profit from selling the product"

Table 3

The content of the operation	Corresponding bill	
	debit	credit
The money for the sold product was transferred (90%)	5110-"Accounting bill"	4010-"Bills accepted from the consumer and the client"

Table 4

The content of the operation	Corresponding bill	
	debit	credit
The farms was paid the remaining 10% from the price for the cotton raw material received, and 60% for the extra fiber taken from the raw material	5110-"Accounting bill"	4010-"Bills accepted from the consumer and the client"
	5110-"Accounting bill"	9340-"Profit from the previous years"

Table 5

The content of the operation	Corresponding bill	
	debit	credit
The farms was paid the remaining 10% of the money with the cut off amount for the lacking fiber amount take from the raw material	5110-"Accounting bill"	4010-"Bills accepted from the consumer and the client"

Table 6

The content of the operation	Corresponding bill	
	debit	credit
The 50% of the lacking amount taken from the processing the cotton raw material were included into expenditures	9340-"Profit from the previous years"	4010-"Bills accepted from the consumer and the client"