

THE ESSENCE OF THE COSTS OF BUSINESS ENTITIES

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Abstract

The concepts of "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 initially be divided into two groups: tangible or actual outputs; imprecise outputs.

Exact or actual costs consist of specific costs incurred by - 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 uses capital to produce a product, and therefore misses out on its alternative use. Limited funds force to use options of available opportunities depending on their level of usefulness. There will always be elements of forgone benefits, hence elements of uncertain outputs. Any management decision to continue production of a particular product or to further expand it is based on the calculation of tangible and intangible costs. The choice between one or another economic decision always characterizes consciously lost or rejected opportunities to achieve other goals.

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 production 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.

Different sectors of the economy (industry, agriculture, trade, catering, construction, etc.) have their own characteristics of reflecting expenses in the cost structure of the manufactured product. The composition of costs included in the cost depends, on the one hand, on the implemented tax policy and on the other hand, on the state and structural structure of the economy.

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Depending on the conditions and directions of the economic entity's activity, expenses are divided into the following two large groups: expenses related to production and sale; non-realization costs;

The costs related to production and realization usually include the following: production, storage and delivery of products, execution of work, service, purchase and sale of goods (work, service, property rights); the costs of maintaining and operating, repairing and maintaining fixed assets and other assets, as well as maintaining them in a corrected state; costs of development of natural resources; expenses related to research and development; mandatory and voluntary insurance costs; other costs associated with production and sales.

The cost of production, which consists of the total costs of an economic entity, includes the following: material costs; depreciation allowances; labor costs; allocations to social needs; changes in work in progress and other costs; future period costs; 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 separate units of the business entity. It includes the expenses of this department and becomes the basis for drawing up a planned calculation of the expenses of the economic entity, i.e. budget (estimate) for a certain period.

All expenses of an economic entity can be classified in different directions (depending on the basis of this or that classification). 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; according to the method of transfer to the product cost; depending on the level of state regulation; and others.

Costs in relation to the volume of production are classified into the following groups: fixed costs; variable costs. Fixed costs will not depend on the volume of production. These expenses will be available even in cases where the activity of the economic entity 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.