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THE IMPORTANCE OF THE CORRECT CLASSIFICATION OF EXPENSES IN TEXTILE ENTERPRISES IN THE CONTEXT OF THE TRANSITION TO INTERNATIONAL STANDARDS

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Abstract
This article examines the importance of correctly classifying expenses in the textile industry, as well as the relevance of this topic in the context of the transition to international standards. The study analyzed the current problems of cost accounting in the textile industry of Uzbekistan, the requirements of international financial reporting standards (IFRS), as well as theoretical and practical aspects of effective cost management. It was demonstrated how the correct classification of expenses affects the accuracy of financial statements, the quality of management decisions and the investment attractiveness of the enterprise. The article provides practical recommendations on cost classification using various criteria, such as economic structure, dependence on production volume, and calculation methods. The results of the study show that proper cost systematization plays a key role in increasing the competitiveness of textile companies and their successful entry into the international market.

Keywords: Textile industry, cost classification, international financial reporting Standards (IFRS), management accounting, cost optimization, Activity-Based Costing (ABC), investment attractiveness, economy of Uzbekistan.

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INTRODUCTION

The key task of modernizing and re-equipping production processes in various sectors of the economy is to seek to occupy its niche in the market through the production of competitive products. In the context of the dynamic development of the global economic system, enterprises are forced to demonstrate a high level of professionalism. In the era of globalization, every company, including textile manufacturers, strives to improve the quality of its financial statements and integrate them into the international system for successful participation in international markets.

The International Production Cost Comparison (IPCC) report, published in 2023, provides information on the structure of production costs in the global textile industry. The study shows that the cost of textile production varies significantly depending on the stages of the production process. For example, the average cost of producing one meter of cotton fabric is $0.94. At the same time, the report does not take into account the cost of raw materials [1]. Important components of production costs are the processes of weaving, dyeing and yarn preparation.

Textile companies are an integral part of the industrial landscape in Uzbekistan. There are more than 8,000 active textiles, sewing, and knitting businesses in the country [2]. These companies not only provide employment but also contribute significantly to the production of locally-made goods, thereby enhancing the export potential of the country. Given the importance of the industry to the economy and the large number of active businesses, there is a clear need for efficient cost accounting and classification.

In the textile industry, the cost structure is complex, and their classification requires special attention. Production costs make up a significant part of the total expenses of an enterprise, and their incorrect classification can lead to a distortion of profit and loss indicators in financial statements.

Complex methodological approaches are necessary for the correct allocation of indirect costs in industrial enterprises and their inclusion in production costs. Incorrect cost classification can negatively affect the quality of financial statements and management decision-making [3].

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Cost optimization is a key element in achieving higher profitability and operational efficiency, as well as in increasing production volumes through the rational use of available resources. In this context, minimizing costs and maximizing profits become priorities.

In the process of our autonomous growth, we have not only expanded the range and improved the quality of our products, but also significantly reduced their cost. This has allowed us to significantly increase the profitability of our operations.

In the production process, we use human resources and a variety of materials. These stages require constant financial investments. The costs associated with the production of our products are significant and varied. Some of them are specific to certain types of goods. Therefore, it is important to correctly allocate these costs between products in order to ensure the objectivity and accuracy of the cost estimate.

In the process of transition to International Financial Reporting Standards (IFRS), it is crucial to correctly classify expenses based on their functional and economic purpose. This is because, when preparing financial statements in accordance with international standards, the level of detail in cost information is more extensive than under national standards.

Furthermore, thanks to the comparability of information generated for investors, credit institutions, and international auditors, the competitiveness of textile companies in global markets increases, and their financial stability is assured.

Therefore, the issue of correctly classifying costs in textile businesses becomes a strategic challenge not only for accountants but also for business managers, enhancing their investment attractiveness and facilitating international integration.

LITERATURE ANALYSIS

A large number of world-renowned and local scientists and economists have worked effectively and continue to work on this research topic. In particular, issues related to the improvement of accounting for production costs were discussed by economists from different countries, including N.D. Vrublevsky,

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K. Duri, M. A. Vakhrushina, V. E. Kerimov, R. Mullendorf, D. Stone, V. F. Paley, A.D. Sheremet and others.

Scientists from our country have also contributed to this field of research. A. A. Abduganiev, A. H. Rametov, M. K. Pardaev, O. M. Zhumanov, B. Khasanov, M. Umarova and F. Gulomova have all conducted research on this topic.

The expenses were analyzed and categorized into various general categories, each with its own unique characteristics and impact on production volume. These categories include:

- Fixed expenses
- Variable expenses

The primary distinction between these two categories lies in their composition. For instance, renowned economists D. Stone and K. Hitchings define fixed expenses as "costs that remain relatively constant over a specific period and do not fluctuate with variations in production volume" [4]. They define variable expenses as costs that vary in proportion to changes in output.

M. Umarova, a scientist and economist of our republic, engaged in research in this field, came to the following conclusions: "From the point of view of dependence on the volume of products, costs can be divided into two groups: variable and conditionally constant. This cost classification is based on the fact that different elements of the cost of production have different effects on the volume of production. The distribution of cost elements varies in proportion to the volume of output" [5].

Another of the economists of our republic is F.Gulomova: "Proposed dividing production costs into variable and conditionally fixed costs into two groups, expended depending on the volume of production of the product being prepared. Fixed costs will not depend on the volume of production, will not directly affect its growth and will be present at any, even zero, volume of production. These included the payment obligations of the enterprise (interest and other bonds), taxes, depreciation, rent, maintenance costs for the security service, salaries of management personnel, etc" [6]

"Production costs are expenses that go directly to the production of products (works, services), as well as those that they make up their cost price." - B. Urazov and M.E. Pulatov write in the textbook "Accounting" [7].

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In the works of Safarova and Rakhmanova, economic scientists argue that spending on the purchase of material resources should generate income in the same period, according to the concept of income and expenses [8].

A similar opinion is expressed by F.T. Abduvakhidov, I.N. Goziev and Sh.Kh. Dadabaev in his work, which is quoted in the textbook "Accounting" [9].

In addition, many works by scientists of our republic use the definition given in the National Accounting Standards "Accounting Policy and Financial Reporting": "Expenses are understood as a decrease in economic resources as a result of a decrease or expenditure of assets, as well as the occurrence of liabilities as a result of the ordinary activities of an economic entity related to income generation" [10].

The research analyzed the work of many foreign and domestic researchers who dealt with the optimization of accounting for production costs, their classification and analysis. In their writings, scientists usually divided expenses into two categories: permanent and variable [11]. They studied how these costs affect the volume of production and its structure [12].

Many studies are devoted to the classification of costs depending on the volume of production. They also use the concept of "expenses", which is defined in national accounting standards, and the principles of its relationship to income. Scientists from Uzbekistan have made significant contributions to this field. Their conclusions and suggestions have enriched the theory and practice of cost accounting.

Thus, the work of economists from different countries and regions contributes to the formation of a unified scientific and practical approach to the management and accounting of production costs.

RESEARCH METHODOLOGY

In his research, the author applies a number of methods that are traditionally used in scientific papers. Among them:

- source analysis: the author carefully examines the already published works, books and legal documents related to this topic;
- classification: the author groups cost according to various criteria, such as constant and variable, external and internal, direct and indirect.

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- interpretation and examples: complex concepts are explained in simple language using practical examples, which makes the text more understandable.
- formulation of proposals: the author suggests concrete steps to solve existing problems, such as the introduction of a management accounting system and staff training.
- presentation of data in a systematic way using tables and diagrams: information is presented in a clear and visual form, which facilitates the perception of the material.

These methods allowed the author to substantiate his conclusions and make the material more understandable to the reader.

RESULTS

One of the key aspects of the organization of production processes in an enterprise is the correct classification of costs. This is necessary not only for calculating the cost of production, but also for effective financial management, pricing policy formation and strategic decision-making.

The correct definition and control of production costs begins with an understanding of which category each expense belongs to. There are two main approaches to cost classification:

1. Direct costs. This is the simplest option. For example, the costs of materials, wages, and other resources directly related to the production of products can be attributed to direct costs. They are easily measurable and obvious.
2. The second way is indirect costs. They are more difficult to calculate because they relate to several types of products at once. For example, if you produce different types of furniture in one room, then the master's salary, rent for the room and heating costs are distributed over the entire volume of products. To correctly calculate such costs, it is necessary to enter some indicator, for example, the number of furniture produced or distribute the costs according to the operating hours of the equipment.

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The costs that the company incurs outside of its activities:	employee compensation;
	materials and raw materials;
	supplies;
	fuel;
	energy;
	transportation and communication services.
The costs that the company incurs as part of its activities:	depreciation of buildings and structures;
	depreciation of machinery and equipment;
	rental payments;
	loan and interest payments.

Figure 1. The composition of external and internal expenses for an industrial company.

However, expenses do not arise only in the case of monetary expenses. In this case, the concept of internal costs appears.

Imagine that you have your own workshop, which is used for personal needs, rather than rented out. Or you invest your funds in a company, but you don't receive interest from the bank. In such cases, the money does not come out of your turnover, but the opportunity to earn money is lost. These are the internal costs.

You can compare your resource with the market price and understand how much profit you could have made if you had used it differently.

Thus, the ability to calculate expenses correctly allows us to see all the costs, including those that are not visible to the naked eye, and determine the real cost of each product. This, in turn, is the basis for forming the right pricing policy and increasing profits.

The financial outlay required to sustain entrepreneurial efforts within the company is an integral part of expenses, including both normal profits, rent and

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wages for employees. By allocating these costs to internal needs, we can conduct a comparative analysis to identify ways to improve the company's economic performance.

Expenses can be classified as either fixed or variable depending on their relationship with changes in production volume [13-14]. Fixed expenses, such as rent or other fixed costs, remain constant regardless of fluctuations in production. These costs do not vary with the quantity of goods produced.

Fixed expenses are not affected by the volume of output and have little impact on its growth. These include payment obligations (interest and other liabilities), taxes, amortization, rental payments, maintenance expenses for equipment, security services, compensation for management personnel and more.

The cost of a product depends on the number of units produced and can be affected by changes in production volumes. This cost includes raw materials, supplies, fuel, transportation, salaries, and other expenses related to production.

To calculate the cost of a particular product, it's important to classify expenses based on their economic components. Costs can be divided into categories based on economic factors, such as:

1. Raw materials and auxiliary materials
2. Energy (fuel and electricity)
3. Wages and additional compensation for employees
4. Benefits and social security contributions for employees
5. Depreciation costs
6. Other expenses

Categorizing costs by their economic factors helps to understand the total amount of expenses incurred during production, regardless of whether they're direct or indirect costs.

The specific calculation is customized for a particular product and considers the costs associated exclusively with that product. The specific calculator type allows the creation of a separate calculator for each product, taking into account the consumption standards for each cost category when calculating the specific calculator.

The company's regulatory framework includes the following key categories of standards and regulations:

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1. Calendar and planning standards
2. Raw material consumption rates
3. Fuel and energy resource consumption rates
4. Equipment utilization indicators
5. Development of production facilities
6. Labor standards
7. Financial rules and regulations

These standards and regulations are categorized based on the following criteria:
- Development style
- Validity period
- Components of products that can be manufactured
- Scope of application

DISCUSSION

There are three types of standards and regulations based on development methods: analytical accounting, experience-based, and experimental statistical. The criteria for analytical accounting are incorporated into the standards, which are established based on technical and economic calculations for all standard-setting components. Experimental standards and regulatory support are determined through the analysis of experimental data, taking into account best practices that have been achieved. These standards are applied when there are no conditions for establishing analytical accounting standards and regulatory support.

The reporting standards and regulatory assistance are developed based on the reporting data from the previous year, but they do not reflect advancements in scientific and technological progress. They also do not encourage full utilization of production capacity.

Depending on their validity period, standards and regulations can be current, temporary, or future. Operational standards and guidelines are established based on specific circumstances and needs of the workplace. These standards define activities that can lead to modifications in ongoing and improvised work processes.

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Current standards and regulations are divided into annual, quarterly, and monthly categories. They serve as a basis for planning resource allocation within the organization.

The current standards and regulations are formulated based on operational measures and strategies aimed at conserving resources. Therefore, these standards are designed to be below the actual consumption of resources.

Material standards are calculated based on the current work in progress. For mass-produced, large-scale products, the specifics are based on a standard for the task, criteria for material usage in parts, and standards for material usage per unit for individual and small-scale production. In addition, there are standards for unfinished product production.

The standard in days is calculated by dividing the material in progress by the average daily material requirement. This standard is established for several years and is reviewed when the manufacturing process or product design changes.

Another important aspect is improving product quality. While this is not the main focus of this discussion, it remains an important issue. We will provide more justification for this in the future.

Firstly, neither during that period nor even today, there has been a clear methodology developed for accounting for the costs associated with improving quality. This makes it difficult to practically organize a system to encourage the production of efficient and innovative products.

Furthermore, accounting for quality-related expenses can only be done through the implementation of a management accounting system. Before the introduction of these classifications and regulations, the concept of "management accounting" was not a part of our country's accounting practices.

Furthermore, there is a lack of professionals in the field of quality management. Due to the lack of specialized training programs in educational institutions, we have compiled a collection of publications from both domestic and international experts. In addition, we have developed a classification of expenses, which is presented in Table 1, based on our research.

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Table 1. Cost classification aimed at improving product quality

Classification feature	Cost group by classification
For the intended purpose	- quality improvement; - to ensure quality; - on quality management.
By the economic nature of the costs	- current (permanent); - sudden (one-time)
By cost type	- effective; - inefficient
By the method of determination	-direct; - indirect
On the organization of accounting	- can be counted directly; - are not counted directly; - costs that cannot be taken into account from an economic point of view
By stages of the product life cycle	- by stages of product development; - by stages of product production; - by stages of product use
In relation to the production process	- in terms of quality in the main production; - in terms of quality in auxiliary production; - in terms of quality in the maintenance of production
According to the accounting method	- planned; - real
By the nature of the structure	- for the company; - for production (workshop, site); - by product type
By objects of accounting formation	- products; - processes; - services
By types of accounting	- operational; - analytical; - in accounting; - by appointment.

In order to achieve the stated goal, we have allocated the following costs: quality improvement, quality assurance, and quality management. The first group of costs includes expenses aimed at meeting the expected requirements of

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consumers. The second group consists of all expenses incurred by consumers to meet quality requirements for products or services. Costs associated with developing and implementing corrective and preventive measures to ensure product (service) quality or eliminate possible inconsistencies are considered quality management costs. This categorization of costs aligns with the current nature of our company's operations in the area of quality.

However, in practice, it can be difficult to assign costs to a specific category, as the composition and structure of quality assurance expenses may include individual components of quality improvement as well as management costs. According to our opinion, as we mentioned earlier, the development of regulations to improve product quality avoids these challenges. As a basis for distinguishing between these expenses, we recommend using accounting methods: quality assurance expenses are current expenses, while costs related to quality improvement will be reflected in long-term expenses.

CONCLUSION

Based on the research we have conducted, we have identified a need for improvement in the cost accounting and classification systems in our country, especially in the textile industry. With the integration into the global economy and transition to international financial reporting standards (IFRS), accuracy and correctness in cost classification has become crucial for both reporting quality and company competitiveness.

Given the complexity of the cost structure in the textile industry, which includes both direct and indirect, fixed and variable, external and internal costs, we recommend the implementation of a multifaceted and systematic cost classification system based on different criteria, such as economic structure, objectives, and accounting methods.

To achieve this, we suggest implementing management accounting systems that will help streamline the process and ensure accuracy in cost allocation. These systems can be used to track and monitor costs more effectively, allowing companies to make informed decisions and improve their financial performance. Implement and develop management accounting systems to address the challenges associated with the complex cost structure and ensure accurate and

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reliable cost classification in the textile sector. In addition to adhering to national accounting standards, the company should establish a dedicated management accounting department or function to support strategic decision-making. This department should focus on monitoring costs across various areas, such as products, processes, projects, and cost centers.

Moreover, a unified corporate cost classification methodology is needed to ensure consistency in expense categorization across the organization. A standard document is required that is binding for all departments, which should include the following:

- Criteria for classifying costs as direct or indirect and methods for allocating them, such as based on machine hours, direct labor hours, or production volume.
- Procedures for estimating internal costs, such as alternative leasing of company-owned buildings and capitalization of company funds.
- Categorization and tracking of product quality-related expenses in accordance with Table 1, separately.
- Implementation of advanced methods for calculating production costs, including consideration of more advanced approaches than the conventional "average cost" method. One example is Activity-Based Costing (ABC), which provides more accurate allocation of indirect costs based on products' relationship to activities and cost drivers, resulting in more precise information about prices and profitability.
- Training and professional development for personnel.

To enhance the skills of professionals in management accounting, international financial reporting standards (IFRS) and cost analysis, it is essential to expand training programs in higher and specialized educational institutions, as well as within enterprises.

Special attention should be given to conducting practical seminars and training sessions that explore the methods of cost categorization discussed in this paper. Additionally, information systems modernization is a significant step towards automating the process of collecting, categorizing and analyzing expenses. Upgrading information systems, including the transition to advanced accounting software and enterprise resource planning systems, is essential. Special attention should also be paid to implementing modules such as "quality costs".

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Therefore, in textile companies, accurate cost classification is not only a regulatory requirement but also a crucial tool for improving internal efficiency, saving raw materials and energy, and creating sound pricing strategies that can increase investment appeal. The implementation of these measures will help companies comply with international Financial Reporting Standards and ensure the accuracy and transparency of their financial statements, which will lead to attracting foreign investment and strengthening their position in the global market.

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