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THE ECONOMIC ESSENCE AND IMPORTANCE OF MATERIAL AND COMMODITY RESERVES

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Annotation

The article analyzes the economic essence of material and commodity reserves and their importance in enterprise operations. Material reserves are considered a crucial tool for ensuring the continuity of production and trade processes, optimizing costs, and responding promptly to market demand. The article also discusses effective methods of inventory management and their impact on financial outcomes.

Key words

material and commodity reserves, economic essence, inventory management, production process, financial efficiency.

Аннотация

В статье анализируется экономическая сущность материальных и товарных запасов и их значение в деятельности предприятия. Материальные запасы рассматриваются как важнейший инструмент обеспечения непрерывности производственных и торговых процессов, оптимизации затрат и оперативного реагирования на рыночный спрос. Также в статье рассматриваются эффективные методы управления запасами и их влияние на финансовые результаты.

Ключевые слова

материальные и товарные запасы, экономическая сущность, управление запасами, производственный процесс, финансовая эффективность.

In our country, ensuring population welfare through sustainable economic growth is one of the main priorities outlined in the "Uzbekistan-2030" Strategy. Among its objectives are: doubling the size of the economy by 2030 and joining the group of "upper-middle-income countries"; efficient use of local raw material resources; development of industry based on advanced technologies; development of industrial "driver" sectors and full utilization of regional industrial potential; increasing the added value of industry to 45 billion dollars and creating 2.5 million jobs; production of import-substituting goods by large enterprises and expansion of cooperation with regional enterprises; establishment of modern technological industrial zones in each district; 100% processing of textile yarns and production of 400,000 tons of synthetic and blended fibers to meet demand for high-quality fabrics; doubling the production of construction materials and expanding the development of new energy-saving materials.

From these priority objectives, it is clear that in expanding production in industry, agriculture, and services, increasing the volume of material and commodity reserves, materials, and raw resources, as well as their effective use, is of vital importance.

During the research, the concept of material and commodity reserves, their economic essence and significance, as well as their classification, were thoroughly studied.

Typically, the concept of material and commodity reserves is broad, including supply, production, and sales processes. Definitions and interpretations of material and commodity

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reserves are provided both in International Financial Reporting Standards (IFRS) and in national accounting regulations of Uzbekistan.

For example, International Accounting Standard “Inventories” (IAS 2) provides a detailed understanding of material and commodity reserves and fully explains their economic essence. The standard aims to establish procedures for accounting for inventories. A key issue in inventory accounting is determining the amount of expenditures recognized as assets and carried forward until they are recognized as income in subsequent periods. IAS 2 provides guidance on cost determination, recognition of costs as expenses, and reduction to net realizable value. It also includes important methodological rules for calculating costs included in inventory valuation. According to this standard, inventories are defined as:

"Assets held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or raw materials to be consumed in the production of goods or the provision of services."

Similarly, national accounting standards define material and commodity reserves as:

"Material and commodity reserves are tangible assets held in the course of business for future sale, in production processes, or used in the process of producing goods, performing work, providing services, or carrying out administrative and socio-cultural functions."

The key rules of accounting for material and commodity reserves under national standards include:

- Determining recognition timing and classification, and evaluating balance sheet value;
- Identifying costs included in inventory value and recognizing future expenses, including inventory costs, as expenses;
- Reducing inventory value to net realizable value;
- Accounting for financial results related to inventory outflows and disclosure in financial statements.

It should be noted that inventory accounting procedures differ significantly between the Russian Federation and the United States. Certain types of assets recognized as inventories under Russian accounting regulations (PBU 5/01) are not recognized as inventories under US GAAP, and different approaches are applied in valuation. Therefore, adjustments are considered during conversion to minimize discrepancies.

Regarding international experience, in developed countries such as the United States, inventory accounting is regulated by ARB 43 and its amendments, including Section 4 “Bulletin on Inventory Valuation,” which establishes general principles for inventory recognition and valuation. According to this standard, inventory costs are recognized as current period expenses regardless of the “extraordinary” criteria. Allocation of production costs is based on normal production capacity.

In Russia, accounting for material and commodity reserves is regulated by PBU 5/01 “Accounting for Inventories,” which defines inventories as: raw materials or materials used in production, work performance, or service provision; goods held for sale (finished products or purchased goods); or used for the enterprise’s needs.

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Comparisons of inventory recognition rules in Uzbekistan, the United States, and Russia show significant differences in accounting practices and valuation approaches.

Looking at the experience of the Organization of Turkic States (OTS), Turkey's accounting system, as a major member, applies both national and international standards. Turkey has implemented the Turkish Financial Reporting Standards (TFRS), fully aligned with IFRS, along with the Commercial Code and Securities Market laws, ensuring that inventory accounting largely conforms to international standards without significant local variations.

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