IMPROVING INVENTORY ACCOUNTING IN ENTERPRISES BASED ON ANALYTICAL ACCOUNTS AND DIGITAL CONTROL

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Abstract. This thesis analyzes the role of analytical accounts, internal control, and digital identification tools in enhancing inventory accounting. Taking 'Axtam Modern Plus' LLC as a case study, it highlights proposals for separate accounting of inventories in transit, consignment stock, slow-moving, and obsolete inventories, along with their economic impact.

Keywords: inventories, analytical accounts, internal control, digital identification, turnover, allowance for obsolescence, ERP.

Introduction

Reflecting inventory movement solely in summary (synthetic) accounts does not always provide sufficient information regarding their actual location, turnover speed, and the risk of impairment. Particularly in construction and service-related operations, distinct control is essential over long-unused materials, assets in transit, and goods placed on consignment. The lack of such detailed information can increase excess inventory holding costs, slow down capital turnover, and negatively affect the accuracy of values presented in financial statements.

Research Approach

The objective of this research is to propose an analytical accounting system to meticulously track inventory movements and support managerial decision-making. The dissertation examines the inventory accounting practice at 'Axtam Modern Plus' LLC, comparing existing practices with the requirements of IAS 2 'Inventories'. To evaluate the results, key performance indicators such as inventory balance, share of slow-moving inventory, turnover ratio, physical inventory (stocktaking) duration, and impairment losses were utilized.

Proposals for Improving Analytical Accounting

To thoroughly monitor inventory structure and movement, the introduction of the following analytical accounts is proposed:

- **Account 1081 –** Inventories in transit;
- **Account 1082 –** Inventories on consignment;
- **Account 1083 –** Digitally identified inventories;
- **Account 1091 –** Slow-moving inventories;
- **Account 1092 –** Obsolete and impaired inventories;
- **Account 1012 –** Allowance for inventory impairment.

These accounts are proposed to organize detailed analytical accounting in alignment with the enterprise's existing chart of accounts and accounting policy.

Through these accounts, inventories are tracked not only by category, but also by location, usage status, and turnover velocity. For inventories in transit, ownership transfer dates and delivery documentation are monitored; for consignment inventory, agreements with custodians or agents as well as balance confirmation documents are controlled. For slow-moving inventories, turnover period and

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operational demand are regularly analyzed. For obsolete inventories, net realizable value is determined, and an impairment allowance is established where necessary.

Importance of Digital Control

The utilization of QR codes or RFID tags can significantly accelerate receipt, internal transfer, release to production, and physical stocktaking processes. Integrating this data with ERP or warehouse management software enables tracking of exact storage locations, movement history, and specific batch assignments. Digital control facilitates rapid reconciliation of physical stocktaking results with accounting records, reduces documentation errors, and strengthens accountability among responsible personnel. Furthermore, database access privileges, approval workflows for inventory transactions, and electronic audit trails must be established.

Internal Control Mechanism

Opening analytical accounts alone is insufficient; internal control procedures that ensure the completeness and reliability of data across these accounts are also required. For each inventory batch, receiving documents, warehouse location, responsible person, movement date, and usage status must be logged. Segregating the duties of the warehouse manager and the accountant where feasible, requiring authorized sign-offs on documentation, and risk-based stocktaking schedules significantly enhance control effectiveness. When discrepancies between book records and physical balances are identified, the underlying causes must be documented, and proper adjustments made according to established procedures.

Inventory Turnover Management

Analysis of slow-moving inventory should not be limited to merely identifying remaining balances. For each item, the last movement date, average storage period, production or sales demand, and potential alternative uses must be evaluated. Unneeded materials can be transferred to other departments, purchasing plans revised, or, if economically viable, liquidated. In doing so, establishing minimum and safety stock thresholds is essential to ensure that reducing excess inventory does not jeopardize production continuity.

Practical Results

According to calculations conducted for 'Axtam Modern Plus' LLC in the dissertation, implementation of the proposed accounts led to a reduction in total inventory balance from 1,280 million UZS to 1,165 million UZS, while the share of slow-moving inventory decreased from 18.4% to 10.9%. Inventory turnover frequency increased from 2.1 to 2.8 times, and stocktaking duration was reduced from 8 days to 5 days. Unused materials held in warehouses fell from 146 million UZS to 72 million UZS, and impairment losses dropped from 58 million UZS to 31 million UZS. The overall economic effect of these proposals in the dissertation was estimated at 84 million UZS. These results pertain to a specific enterprise case study; actual results in other entities may vary depending on inventory composition and accounting systems.

Table 1: Key Performance Indicators Before and After Implementation ('Axtam Modern Plus' LLC)

Indicator	Before Implementation	After Implementation
Total Inventory Balance	1,280 million UZS	1,165 million UZS

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Share of Slow-Moving Inventory	18.4%	10.9%
Inventory Turnover Ratio	2.1 times	2.8 times
Stocktaking Duration	8 days	5 days
Unused Warehouse Materials	146 million UZS	72 million UZS
Impairment-Related Losses	58 million UZS	31 million UZS

Interpretation of Economic Impact

The empirical results presented in the dissertation demonstrate the practical significance of detailing analytical accounting. The drop in the share of slow-moving inventory from 18.4% to 10.9% indicates that less capital remains tied up in unnecessary materials. The increase in turnover from 2.1 to 2.8 times highlights accelerated movement within the operating cycle. Shortening stocktaking duration saves staff time and facilitates quicker balance verification. However, these metrics reflect a specific entity's outcome; implementation costs, software infrastructure, and sector specifics must be evaluated individually for other organizations.

Recommendations for Implementation

Enterprise management can initiate a pilot project focusing initially on high-value items or inventory with significant obsolescence risk. Subsequently, warehouse and accounting data should be linked via a unified identifier system, accompanied by staff training, access controls, and regular management reporting. Monthly reporting on slow-moving inventories and quarterly analysis of impairment risks are recommended to convert analytical accounting into an active management tool.

Conclusion

Utilizing specialized analytical accounts and digital tracking tools in inventory accounting provides comprehensive insights into the true state of inventories. Entities are advised to align accounting policies with IAS 2 requirements, classify inventories by turnover speed, maintain separate controls over transit and consignment transactions, systematically review impairment provisions, and gradually implement QR/RFID and ERP integrations. These measures effectively reduce excess holdings, improve stocktaking efficiency, bolster internal control, and enhance financial reporting quality.

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