MANAGEMENT ACCOUNTING AND COST MANAGEMENT SYSTEM: UZBEKISTAN EXPERIENCE AND INTERNATIONAL PRACTICE

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Abstract: This article examines the state, development trends, and future directions of the management accounting and cost management system in the Republic of Uzbekistan. Drawing on official statistical data from stat.uz and soliq.uz covering the period 2021–2025, the study provides a comprehensive analysis of the structure, dynamics, and efficiency of production costs across industrial, manufacturing, and commercial enterprises. The findings demonstrate that legislative reforms in management accounting — particularly Presidential Decrees and regulatory instruments adopted between 2020 and 2024 — have markedly enhanced the financial transparency of domestic enterprises. However, significant challenges persist in aligning national management accounting standards with international best practices. The article also discusses new reform initiatives introduced in 2026 and their implications for enterprise cost management. Based on the analytical results, practical recommendations are formulated for extending the adoption of strategic cost management, Activity-Based Costing (ABC) methodology, and standard costing frameworks.

Keywords: management accounting, cost management, Activity-Based Costing, standard costing, financial transparency, Uzbekistan economy, production costs, managerial decision-making.

Introduction

In a modern market economy, ensuring competitiveness depends not only on product quality but also on the efficient use of a company's internal resources. Among these factors, cost management occupies a special place: managerial decisions based on cost analysis directly determine the efficiency of an enterprise. Management accounting, as the methodological foundation of this process, provides decision-makers with the necessary information environment. In recent years, structural economic reforms implemented in the Republic of Uzbekistan have imposed new requirements on the financial management of enterprises. Since 2017, the implementation of the "Uzbekistan – 2030" strategy, along with the adoption of relevant regulatory and legal acts, has brought the need to improve cost accounting in production and service sectors to the forefront. The transition to digitalization, alignment with International Financial Reporting Standards (IFRS), and the simplification of the taxation system—identified as priority directions of the state—are further strengthening their impact on management accounting methodology. The relevance of this research lies in the fact that a comprehensive scientific analysis of management accounting and cost management in Uzbekistan has not yet been sufficiently developed. Many enterprises, especially small and medium-sized businesses, still rely on traditional financial reporting indicators when calculating costs. This negatively affects the quality of managerial decision-making. From an academic perspective, this topic also requires analysis based on empirical evidence at the local level. The main objective of this study is to analyze the current state of management accounting and cost management systems in enterprises of Uzbekistan, identify key problems, and propose ways for their improvement. At the same time, by comparing leading approaches in international scientific literature with the current legal norms available on the lex.uz platform, methodological solutions tailored to Uzbekistan are proposed.

Literature review

Management accounting and cost management systems have long been widely studied topics in international economic literature. However, studies conducted in the context of developing and transition economies remain relatively limited within the overall body of research and do not always fully address

practically relevant questions. This section critically reviews leading international and local academic works related to the topic.

Kaplan and Atkinson (1998) made a significant contribution to the development of the modern paradigm of management accounting. They introduced the Activity-Based Costing (ABC) method and highlighted the limitations of traditional cost allocation approaches, which may lead to inaccurate managerial decisions. The key idea of this approach is that costs should be linked not directly to products or services, but to processes. This methodology is also of practical importance for large industrial enterprises in Uzbekistan, as many of them still rely on traditional volume-based cost allocation models.

The fundamental textbook by Horngren, Datar, and Rajan (2015) emphasizes the important role of standard costing systems, budgeting, and variance analysis in cost management. According to the authors, an effective management accounting system is not limited to calculating financial indicators—it must provide timely and accurate information for strategic decision-making. It should be noted that the application of this approach in Uzbekistan is still at an early stage.

Garrison, Noreen, and Brewer (2021) describe management accounting as "information intended for internal users and oriented toward the future," and propose a clear methodological distinction between management and financial accounting. They also demonstrate the effectiveness of Cost-Volume-Profit (CVP) analysis through the classification of costs into variable and fixed categories. Enterprises in Uzbekistan have significant potential to apply this method, although its practical implementation remains underdeveloped.

At the local level, Abdullayev and Xasanov (2022) analyzed the regulatory and legal framework and practical challenges of management accounting in Uzbekistan. They showed that existing cost accounting regulations differ significantly from international standards and argued that this discrepancy negatively affects the financial transparency of enterprises. In addition, they emphasized that the lack of qualified specialists is a major obstacle to the implementation of management accounting in small and medium-sized enterprises.

An empirical study conducted by Mirzayeva (2023) examined cost management systems in 87 industrial enterprises across 14 regions of Uzbekistan. The results revealed that 67% of surveyed enterprises do not have a dedicated cost management system, while 78% reported that cost planning is carried out only within financial reporting formats. These findings clearly highlight systemic weaknesses and justify the need for reforms.

Cooper and Slagmulder (1997) developed the concept of Strategic Cost Management (SCM), arguing that cost analysis should be conducted not only at the operational level but also at the strategic level. According to them, competitive advantage often depends on how effectively a company optimizes its cost structure compared to its competitors. This approach could become particularly important in Uzbekistan's manufacturing sector, especially in export-oriented industries.

International Financial Reporting Standards (IFRS) and management accounting standards (such as CIMA and IMA) are also considered as part of the normative framework related to the topic. According to information available on lex.uz, since 2021 Uzbekistan has been gradually transitioning small and medium-sized enterprises to simplified IFRS requirements. This process provides an opportunity to build management accounting on a new methodological foundation.

Overall, the literature review shows that while leading international approaches to management accounting and cost management exist, empirical studies adapted to the conditions of Uzbekistan remain insufficient. Addressing this gap constitutes the main scientific contribution of this paper.

Research methodology

This study was conducted using both qualitative and quantitative methods. In the course of the research, various methodological approaches were applied to evaluate the effectiveness of management accounting and cost management systems, as well as to explore opportunities for their improvement based on the experience of Uzbekistan and international practices.

Analysis and results

Dynamics of Production Costs in Uzbekistan (2021–2025)

Based on data from stat.uz and soliq.uz, a number of significant changes were observed in the structure

and dynamics of production costs in Uzbekistan during the period 2021–2025. Table 1 below reflects the main financial indicators of industrial enterprises.

Table 1.

Main Cost Indicators of Industrial Enterprises in Uzbekistan (2021–2025)

Ko'rsatkich	2021	2022	2023	2024	2025*
Sanoat mahsulotlari hajmi (mlrd so'm)	428,600	552,300	689,100	821,500	943,200
Korxonalar soni (ming birlik)	312,4	334,7	358,2	381,6	402,3
Ishlab chiqarish xarajatlari (mlrd so'm)	319,700	413,800	516,400	614,700	705,900
Xarajatlar ulushi YaIMda (%)	38,2	37,4	36,8	36,1	35,7
Ish haqi xarajatlari (mlrd so'm)	89,200	121,600	158,300	192,400	224,100
Material xarajatlari (mlrd so'm)	178,400	231,700	294,500	352,800	408,600

Analysis of Table 1 shows that the volume of industrial output increased from 428.6 billion UZS in 2021 to 943.2 billion UZS in 2025—an almost 2.2-fold growth. This increase reflects a positive trend of economic expansion. However, the absolute volume of production costs also rose in parallel, reaching from 319.7 billion UZS to 705.9 billion UZS. An important point to note is that the share of costs in GDP gradually but consistently declined over the analyzed period: from 38.2% in 2021 to 35.7% in 2025. This indicates that institutional reforms and technological upgrades implemented in the field of cost management have yielded certain positive results. The significant increase in labor costs—from 89.2 billion UZS to 224.1 billion UZS—reflects intensified competition in the labor market, increases in the minimum wage, and enterprise policies aimed at retaining qualified personnel. From a management accounting perspective, this highlights the necessity of monitoring and standardizing labor costs as a separate cost object. The increase in material costs from 178.4 billion UZS to 408.6 billion UZS—approximately 2.3 times—can be explained not only by the growing technological intensity of production but also by the overall inflationary rise in raw material prices.

Analysis of cost structure

In forming an effective cost management system, not only the absolute amount of costs but also their internal structure plays a crucial role. From a management accounting perspective, classifying costs into functional and structural groups enables better control and optimization.

Table 2.

Cost Structure of Enterprises in Uzbekistan (share in total costs, %)

Cost Type	2021	2022-2023	2023-2024	2024-2025*
Direct material costs	55,8%	56,3%	57,4%	57,9%
Wages and social contributions	27,9%	29,4%	31,3%	31,7%
Depreciation expenses	6,2%	6,5%	6,8%	7,1%
Overhead production costs	7,1%	5,9%	3,2%	2,1%
Other expenses	3,0%	1,9%	1,3%	1,2%
Total	**100%**	**100%**	**100%**	**100%**

The analysis of Table 2 reveals several important trends. First, the share of direct material costs slightly increased from 55.8% in 2021 to 57.9% in 2025. This indicates the persistence of material-intensive production and highlights the need for technological upgrades aimed at reducing material costs. Second, the increase in the share of wages and social contributions from 27.9% to 31.7% can be explained by the rising value of labor. Third, the decline in overhead production costs from 7.1% to 2.1% is particularly noteworthy. This indicates that enterprises have relatively successfully reduced excessive overhead expenses. From a management accounting perspective, this trend may reflect the gradual implementation of lean manufacturing and technological optimization practices. Meanwhile, depreciation expenses increased gradually from 6.2% to 7.1%, reflecting ongoing investments in new fixed assets and modernization processes. The legal framework for management accounting and cost management in Uzbekistan is mainly regulated by the following documents: the Law "On Accounting" (April 13, 2016, latest revision 2021), the Resolution of the Cabinet of Ministers on "The Procedure for Financial Reporting of Enterprises," and the "Management Accounting Standards" approved by the Ministry of Finance of Uzbekistan (lex.uz). The 2021 revision of the law marked an important step toward formalizing management accounting as a separate system. The Presidential Decree adopted in late 2024 and early 2025 on "Improving the System of Financial Control and Accountability" (PF-160, lex.uz) introduced specific requirements for strengthening internal audit and cost control in enterprises. In particular, all legal entities with more than 50 employees are required to develop and approve an internal management accounting policy. In 2026, a more significant reform is being implemented: the Ministry of Finance of the Republic of Uzbekistan, in cooperation with CIMA (Chartered Institute of Management Accountants) and IMA (Institute of Management Accountants), has initiated the development of a national management accounting certification program. This step is of historical importance for raising the qualifications of management accountants to international standards and establishing professional benchmarks in the field. In addition, in 2026, new regulations on "Digital Document Flow and Electronic Management Accounting" were approved, creating a legal foundation for the widespread adoption of ERP systems and cloud-based reporting tools in small businesses (lex.uz). The economic analysis of these reforms shows that increasing state attention to management accounting regulation will, in the long term, improve cost efficiency and enhance the investment climate. It should be emphasized that the implementation of management accounting is most effective not through top-down directives, but through the development of managerial culture and strengthening of competitive market conditions within enterprises.

Conclusion

This study provided a comprehensive analysis of management accounting and cost management systems in Uzbekistan from the perspective of 2021–2025 dynamics and the regulatory-legal framework. The main conclusions are as follows: First, the share of production costs in GDP in industrial and commercial enterprises decreased from 38.2% in 2021 to 35.7% in 2025, indicating that institutional reforms and technological modernization have yielded certain positive results. However, this indicator remains higher than in developed economies (typically in the range of 28–33%), which suggests that significant potential for further optimization still exists; Second, although the significant reduction in the share of overhead production costs (from 7.1% to 2.1%) is a positive trend, the relative increase in material costs (from 55.8% to 57.9%) indicates the need for additional measures aimed at reducing material intensity. In this regard, wider implementation of Activity-Based Costing and strategic cost management methodologies would be appropriate; Third, legislative innovations planned for 2026, along with certification programs developed in cooperation with international organizations, may elevate the sector to a qualitatively new stage. However, fully realizing this potential also requires changes in internal managerial culture and improvement of financial literacy within enterprises.

Key policy and practical recommendations include:
(1) developing and subsidizing simplified management accounting modules for small and medium-sized enterprises;
(2) strengthening management accounting as an independent and practice-oriented discipline within the higher education system;

(3) establishing tax incentives for enterprises implementing ERP systems;
(4) gradually introducing mandatory ABC (Activity-Based Costing) methodology in state-owned enterprises.

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