

# Accounting of Inventory in Trade Enterprises and its Improvement

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**Abstract:** This article investigates the organization of the inventory process, its methodological foundations, and the accounting treatment of inventory audit results in business entities engaged in the retail and wholesale of household electrical appliances. The mechanisms for formalizing discrepancies discovered during the stocktaking process are analyzed through the lens of specific industry characteristics, namely, the high unit cost of household appliances and their identification via serial numbers. Within the framework of this study, the methodology for accounting for surpluses, shortages, and stock mutation (re-sorting) based on current regulatory documents governing inventories has been systematized, and scientific-practical recommendations for the digitalization of this process have been developed.

**Keywords:** inventory, household electrical appliances, accounting, NAS No. 4, NAS No. 21, shortages, surpluses, stock mutation, re-sorting, financially accountable person, internal control



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## 1. Introduction

Under the conditions of economic modernization, private entrepreneurship entities play a crucial role in developing retail and wholesale trade infrastructure and meeting public demand for household appliances. The trade of household electrical goods (major and small domestic appliances, electronics, climate control equipment) is characterized by high liquidity and a high level of material responsibility. In such enterprises, inventory stocktaking serves as the primary internal control mechanism to ensure asset preservation, prevent theft and misappropriation, and verify the reliability of financial accounting data.[1]

However, in many commercial enterprises dealing with household electrical appliances, the inventory process is conducted superficially and only as a formal requirement during the mandatory annual reporting period.[2] The failure to perform a deep analysis based on serial

numbers and technical parameters leads to significant financial losses. While household appliances may appear identical in terms of model and brand, sharp variations in price depending on technical specifications can cause serious confusion in the accounting system. [3]Therefore, systematically organizing the stocktaking process in this sector and improving the methodology for the accurate accounting of discrepancies based on effective regulatory frameworks carries profound scientific and practical significance.

## 2. Literature Review

The legal and regulatory framework for organizing and conducting inventories in the Republic of Uzbekistan is governed by the Law "On Accounting" and the system of National Accounting Standards (NAS). Since household electrical appliances economically fall under the category of inventories, their movement, valuation, and derecognition are carried out directly in accordance with the requirements of NAS No. 4 ("Inventories").[4]

According to effective regulatory documents, a mandatory comprehensive inventory of assets and liabilities must be performed prior to preparing the annual financial statements. Furthermore, an extraordinary inventory is legally mandated when financially accountable persons change, or in cases of theft, shortage, and emergency situations.[5]

According to economic research, relying solely on periodic inventory is insufficient for business entities that account for high-tech and high-value goods. In practice, literature justifies the necessity of applying a perpetual inventory system in the household appliance trade and integrating it with digital technologies. However, the issues of aligning this system with the current chart of accounts under small and medium-sized business conditions have not been fully systematized in local economic literature.[6]

## 3. Research Methodology

In the course of the study, a systematic approach, comparative and functional analysis, and the double-entry accounting method were utilized to examine the financial and economic activities of enterprises trading in household electrical appliances.[7]

The inventory processes in household appliance retail entities were systematized step-by-step, verifying each stage for compliance with regulatory documents. Within the scope of the research, a comparative analysis was conducted to evaluate the efficiency indicators of traditional paper-based stocktaking methods versus barcode-based identification systems.[8]

## 4. Analysis and Results

Inventory audits conducted at enterprises trading in household electrical appliances usually reveal three primary economic outcomes: surpluses, shortages, and stock mutation (re-sorting). Unclear formulations or truncated formulas in working documentation create a breeding ground for financial reporting errors. To eliminate such discrepancies, all accounting entries are perfectly detailed below in a standardized tabular format.[9]

**Valuation and Accounting of Identified Surpluses:** The identification of undocumented surplus goods in appliance warehouses or showrooms often arises from entering incorrect serial numbers during the initial receipt of goods from suppliers. In compliance with regulatory requirements, such assets are valued at their current market price on the date of discovery and recognized as operational income of the enterprise.[10]

**Shortages and Deferral by Types of Liability:** Due to the high cost of household electrical appliances, any shortage negatively impacts the financial stability of the enterprise. Because of their physical nature, electrical goods do not have natural wastage allowances. Therefore, all identified shortages are classified as above-norm losses and are directly charged to the Table 1. financially accountable person (FAP).[11]

**Table 1: Journal Entries for the 3-Stage Process of Shortage Recovery**

Stages	Business Operation Description	Debit	Credit
Stage 1	Derecognition and temporary accumulation of the identified household appliance shortage at its carrying value (book value)	5910	2910, 2920
Stage 2	Charging the shortage amount to the account of the financially accountable person (salesperson, warehouse keeper) found liable	4730	5910
Stage 3	Withholding the loss from the employee's salary with their consent (within the limits stipulated by the Labor Code)	6710	4730

Note: If the liable individual cannot be identified, the loss is transferred to the other operating expenses of the enterprise by order of the management (Debit 9430 – Credit 5910).[12]

**Stock Mutation (Re-sorting):** The most common occurrence in the household electrical appliance trade is stock mutation (re-sorting). For example, when items share an identical appearance and brand but differ in technical characteristics (such as memory capacity or power), a surplus and a shortage are detected simultaneously. Methodological rules allow for re-sorting offsets only under the same financially accountable person, for the same period, and within identical or similar product groups:

- **Positive Value Variance (when the surplus item is more expensive):**

- Offsetting the shortage through an internal transfer:  
*Debit 2910 (Premium Model) – Credit 2910 (Budget Model)*[13]
- Recognizing the resulting positive difference as income:  
*Debit 2910 (Premium Model) – Credit 9390 (Other Operating Income)*[14]

- **Negative Value Variance (when the missing item is more expensive):** The resulting negative discrepancy cannot be written off as an expense; it is directly recorded as a receivable due from the financially accountable person:  
*Debit 4730 – Credit 2910*[15]

## 5. Conclusion and Recommendations

Based on the analysis of inventory accounting in enterprises trading in household electrical appliances, the following conclusions have been formulated:

1. The economic nature of household electrical appliances dictates that the stocktaking process must strictly identify each unit of goods according to its individual serial number.
2. Traditional paper-based and visual stocktaking methods fail to fully capture variations in models and modifications, which increases the amount of unjustified re-sorting and hidden shortages.

In light of the above findings, we have developed the following recommendations:

**1. Analytical Sub-accounts for Shortages:** To improve internal control over shortages identified during stocktaking, the introduction of the following analytical sub-accounts under account 5910 is proposed:

- **5911** – Shortages with identified liable persons and established legal claims (the portion charged to the financially accountable person).
- **5912** – Shortages with unidentified liable persons or claims rejected by courts (the portion to be written off to corporate expenses in the future).
- **5913** – Losses from household appliances deemed "Defective/Damaged" as a result of expert assessment or stocktaking.

**2. Analytical Layers for Recovery Tracking:** Once the shortage amount is determined, the following analytical layers should be opened under account 4730 (Employee receivables for material damage compensation) to monitor recovery periods and terms:

- **4731** – Recognized debts of the financially accountable person for inventory shortages (based on an installment payment agreement).
- **4732** – Employee debts under litigation or within the statute of limitations.

**3. Rotational Inventory System:** In addition to the mandatory annual comprehensive inventory, a monthly rolling (rotational) inventory system should be established for high-liquidity product groups, thereby strengthening the discipline and accountability of financially responsible personnel.

**4. Rigorous Employment Contracts:** Ensure that full material liability agreements with appliance store personnel are strictly executed in compliance with current labor legislation, thereby providing a sound legal basis for recovering negative value variances.

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