Methodological Aspects of Determining the Effectiveness of Management Segment Accounting and Reporting in Cotton-Textile Clusters

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Abstract: This study looks at the challenges of using segmental accounting and reporting in Uzbekistan's cotton and textile clusters. While acknowledging the critical role these clusters play in economic modernization and export growth, the report also highlights a substantial knowledge gap on the practical application of segment accounting standards. Using financial analysis and economic-statistical methodologies, the research assesses the effectiveness of weaving machines and offers recommendations for improving segment reporting protocols. The findings indicate that global segment accounting rules can greatly boost transparency and investor confidence. Therefore, the article suggests that governments and industry stakeholders should speed the implementation of these standards in order to assist economic development and enhance competitiveness in the global market.

Keywords: cluster, segment, economic segment, geographic segment, segmental accounting, segmental reporting, efficiency of machine use

Introduction

Analysis of the development of the cotton-textile and clothing-knitting industry in our country requires government support for the industry, as well as the development and implementation of mechanisms for its more stable and rapid development, in the face of changing economic situations on the world market and increased competition. At the same time, systematic work is being carried out to deepen structural reorganization aimed at creating new high-tech jobs, technical and technological renewal of enterprises, and introducing an advanced "cluster model" through the implementation of strategically important projects.

Table 1. Target parameters for the development of the textile, clothing and knitting industry of Uzbekistan for 2019-2025

Product names	Unit.	2018	Forecast indicators				Growth rate in 2018
			2019	2021	2023	2025	2025
Production volume of textiles, clothing and knitwear	Million US dollars	3140,8	4437,4	5666,4	10404,4	14600,1	4.6 times
Cotton fiber production	Thousand tons	974,2	750	900	992,7	1000	1 time
Cotton fiber processing	Thousand tons	520	720	900	1023,5	1132,5	2.2 times
Yarn production	Thousand tons	442,9	608,2	738	843,8	940	2.1 times
Finished fabric	Million sq. m	462,8	517,4	626	1028,5	1425,9	3.1 times
Sewing and knitting products	Million things	409,4	559	648,5	1180	1516,8	3.7 times
Export	Million US dollars	1602,9	1903,4	2590,5	4761,2	7073,3	4.4 times

Source: www.regulation.gov.uz/ru/document/1982

In order to accelerate the development and diversification of the textile and clothing-knitting industry, increase the volume of investment in deep processing of semi-finished products in textiles and increase the export of finished products, clothing enterprises are being introduced from April 1, 2019, to export at least 80% of the finished products produced in 2019-2021, it was determined that the costs associated with the payment of interest on loans from commercial banks to knitting enterprises will be covered from the state fund for supporting the development of entrepreneurial activities under the Cabinet of Ministers of the Republic of Uzbekistan.

Literature Review

The issues of creating clusters, identifying problems and advantages of creating segment management reports in them are discussed by foreign scientists, including in studies in the works of Sallet (2009), Bekes (2008), Martin & Mayer (2010), Drury (2018).

Theoretical and methodological aspects of organizing clusters in Uzbekistan, organizational issues of management accounting and segment reporting were studied in the scientific works of Karrieva (2019), Khakimov (2019), Khasanov (2019) and other scientists, but were not taken into account in their studies proportionality of production capacity at the stages of cotton processing, location of enterprises and other features.

Research Method

This article uses analysis and synthesis of scientific knowledge, induction and deduction, systems approach, statistical and financial analysis, economic and mathematical methods.

Result and Discussion

The article uses target parameters for the development of the textile and clothing-knitting industry of Uzbekistan in 2019-2025, research works of foreign and domestic scientists in this area, and also uses business plans and financial reporting data of a cotton textile enterprise operating in a cluster system Department of Uzbekistan.

In the process of writing the article, the author used financial analysis and economic-statistical methods of comparison, grouping, determining average values and index methods.

The use of a cluster management system, which gives a positive effect in international experience, in particular, the creation of centers of responsibility between intra-economic units considered to be components of the cluster, and for this purpose, the division of the constituent enterprises into economic and geographical segments, separate calculation of income and expenses of each segment, the activities of the segments It is necessary to include in the accounting policy of the enterprise the preparation of an internal economic report.

Currently, as an experiment, clusters have been created in twelve regions of our republic based on textile and light industry enterprises by leasing cotton processing enterprises and concluding direct contracts with farms. The purpose of creating this new structure is to export finished products with final added value and distribute the income received from a single center in accordance with economically sound standards (Sallet, 2009).

Extensive research by economist Professor Karrieva (2019) on the issue "The use of logistics in the innovative development of cluster activities in Uzbekistan" was focused on the study of logistics in clusters, such as transport and logistics, customs and logistics, industrial and logistics, innovation and logistics.

In our opinion, it is advisable to include supply and production logistics in this management system in the cluster chain (Bekes, 2008).

The scientist who studied this problem, Khakimov (2019) drew attention to the socio-economic efficiency of the formation of clusters in the textile industry. He said: "Textile businesses need financial resources, skilled labor and high-tech laboratories for product development, technology and marketing innovation, and small businesses do not have the ability to integrate them all. In turn, combining enterprises into a cluster for the preparation of the final product provides the above-mentioned opportunities" (Martin et al., 2010).

A deeper understanding of the nature of management accounting at enterprises operating in a cluster system is directly related to highlighting the connections and differences between it and production accounting.

Production accounting - manifests itself in managing the expenses and income of an enterprise, as well as in identifying opportunities to increase the profitability of production. It should reflect in detail all issues related to the production and sale of products at the enterprise.

The relationship between management and production accounting can be expressed as follows (Table 2).

Table 2. Types of internal accounting at an enterprise and the relationship between them

Indicators	Management accounting	Production accounting	Cost accounting and product costing
Planning (budgeting)	+	+	-
Forecasting	+	+	-
Internal (segment) accounting and reporting	+	-	-
Cost accounting and product costing	+	+	+
Formation of transfer price	+	-	-
Setting Perspective	+	-	-

Source. Khasanov (2019)

As can be seen from the table, management accounting is broader than production accounting and includes such new areas of accounting as internal (segment) accounting and reporting, transfer pricing, and forecasting. Modern production accounting also reflects the classification of costs and income by responsibility center and type.

In Uzbekistan, the President made a decision on a phased transition to international financial reporting standards. Preparations for the execution of the above instructions from the head of the country began a long time ago. In 2014, "International Financial Reporting Standards" were translated into the national language by the Association of Accountants and Auditors of Uzbekistan. One of them is International Financial Reporting Standard 8, called Operating Segments. Paragraph 6 of this Standard lists the segments that are classified as operating segments and notes that they exclude headquarters and certain non-revenue management activities.

Professor Khasanov admits: "A business segment is the allocation of a certain part of an enterprise or a relatively independent unit in order to vest it with certain powers and responsibilities.

Management accounting consists of a set of different responsibility centers (business segments), taking into account the organizational structure of the enterprise.

A geographic segment is a distinct component that participates in the production of

goods and services in a particular economic environment, is influenced by risks and rewards, is distinct from risks and rewards, is specific to segments, and operates in different economic environments" (Karrieva, 2019).

The procedure for preparing financial statements by segment for external users is regulated by the national accounting standard (NAS) of the Republic of Uzbekistan No. 1 "Accounting policies and financial reporting." Paragraph 96 of this standard states the following: "When considering the priority aspects of accounting policies for users, business managers should consider the ability to assess the risks and future cash flows of business entities. Accounting policies should include, among other things, the following information:

− 96.17. determining types of activities, geographic segments and the method of allocating costs between segments" (Khakimov, 2019).

Segment costs do not include:

- expenses for short-term and long-term financial investments (except for cases when they are the main activity of the segment);

- income tax;

- extraordinary expenses (force majeure obligations).

Article 11 of the Law of the Republic of Uzbekistan "On Amendments and Additions to the Law of the Republic of Uzbekistan "On Accounting" dated April 13, 2016 ZRU-404 of the Oliy Majlis of the Republic of Uzbekistan: It is established that the head of the subject "Accounting" ensures the development of accounting policies and internal accounting systems and reporting, internal control procedures (Khasanov, 2019).

Segment costs are costs that can be directly included in the segment or appear as part of the total costs of the enterprise.

When analyzing segment performance, it is important to evaluate the labor productivity of the machines used. To do this, in the analysis process we use the following calculations:

$$P_{M1} = \frac{T_P}{Q_L + M_H} = \frac{6135.9}{148 * 4156} = 9.98 \qquad (1)$$

$$P_{M2} = \frac{T_P}{Q_L + M_H} = \frac{6128.3}{94 * 4156} = 15.69 \qquad (2)$$

Here:

P_{M1}, P_{M2} – labor productivity of machine tools.

T_P – Annual gross income from products, meter.

Q_L – Average annual number of employees.

M_H – Annual working time of machines.

Table 3. Analysis of technical and economic indicators of the efficiency of used weaving machines by enterprise segments

No	Name	Unit change	Option 1 for the "STB-180" machine	Option 2 for the "COMET" machine
1	Number of installed machines	things	267	120
2	Standard productivity of machines	car-hour	5,76	12,8
3	Annual Gross Product Revenue	meter	6135,9	6128,3

4	Average annual number of employees	person	148	94
5	Annual operating time of machines	car-hour	4156	4156
6	Labor productivity of machine tools, (line 3 / (line 4 * line 5))	meter/person, car-hour	9,98	15,69
7	Average employee salary	thousand soums	1500	2000
8	Cost of manufactured products	thousand soums	33778129,5	31836518,5
9	Including: cost of 1 meter of fabric (line 8 / line 3)	soums	5505	5195
10	Volume of products sold	thousand soums	38840247	38730240
11	Gross profit from product sales (line 10 – line 8)	thousand soums	5062117,5	6893721,5
12	Period expenses	thousand soums	2725989	4399309
13	Segment net profit	thousand soums	2336128,5	2494412,5
14	Segment profitability by sales (line 13 / line 10 * 100)	%	6	6,4

As a result of using the data in this table in accounting processes, it is possible to compare the costs and revenues of two types of looms used in business segments in terms of productivity and efficiency.

Conclusion

In conclusion, we note that the role and importance of the cluster system from the point of view of further development and modernization of the economy are incomparable. Thanks to this, opportunities and conditions will be created to consolidate the chain of producers and consumers into a single logistics system and reach the level of international exports.

It is desirable to accelerate the transition to the principles and standards of segment accounting and reporting recognized in international practice.

The requirement and necessity of today is that the Ministry of Finance of the Republic of Uzbekistan, accountants and auditors of Uzbekistan, in interaction with public organizations, provide practical assistance in the formation of methodological, regulatory and organizational foundations for segment accounting and reporting.

The division of types and areas of activity of an enterprise into segments is carried out on the basis of the management policy of the enterprise management. Thus, financial information disclosed by segment is not transparent in terms of disclosure, but is considered a trade secret. There is also no way to use segment report information to compare the activities of different businesses with each other. Regardless of the above circumstances, information about operating segments is necessary and relevant to investors and other users.

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