



THE ROLE OF CONSTRUCTION ORGANIZATIONS IN THE ECONOMY

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Abstract. *Construction, as a branch of the economy, provides the expanded reproduction of production capacities and capital means for the entire national economy. Buildings and structures with various functional purposes are the result of construction. Construction is the process of transferring materials and equipment to the construction site for the client. This article examines the role of construction organizations in the economy, grouping of construction organizations, construction products, and specific types of construction products.*

The number of state and non-state construction organizations in the construction works performed in our country and the construction works performed by them were studied. In addition, specific characteristics of construction organizations and issues of account organization taking into account these characteristics were studied.

Keywords: *construction, organization, performance obligation, transaction*

Introduction. The modern economy relies on cross-border transactions and the free movement of international capital. Currently, more than a third of all financial

transactions are carried out across borders, and this number is expected to grow further. As one of the largest sectors in the world economy, the construction sector is of particular importance. It is known that the development of the construction industry serves for the rapid development of various sectors of the national economy. In the era of globalization, investors are looking for opportunities to enter world markets, and at the same time, business entities are looking for opportunities to attract foreign investments and conduct business operations at the international level. In this process, organization of the accounting and reporting systems in force in the countries based on the international standards of financial reporting serves to increase the international comparison and quality of financial information, to ensure transparency, and to make the right management decisions for investors and other market participants.

Current procedures for accounting in construction organizations operating in the Republic of Uzbekistan have a number of shortcomings. The basic features of the construction industry in the current regulatory documents create complications in the organization of operational activities. Therefore, in the correct organization of operational activity accounting in construction organizations, it is of particular



importance to determine the main indicators that reflect the accounting processes and information sources that cover their main goals. These problems determine the relevance of the research topic, the need for in-depth research of theoretical and practical problems aimed at improving the calculation and analysis of operational activity in construction organizations in the context of economic liberalization.

One of the largest sectors of the economy is construction. Construction provides an expanded reproduction of productive capacity and capital assets for the economy. Buildings and structures with various functional purposes are the result of construction. Construction is the process of transferring materials and equipment to the construction site for the client.

Material and methods. The word construction comes from the French word "Construction", used as both a noun and a verb, and describes the character of a structure and the act of building or creating [1]. Foreign scientists, including J. Wells, defined the construction industry as follows: Construction makes a great contribution to the national economy by building infrastructure and production facilities [2]. According to P. M. Hillerbrand [3], construction is an honest and huge sector of the national economy, it makes up a significant part of the national economy in every period, and this sector creates permanent jobs. The British scientist D. A. Turin [4] gives the following opinion: Construction is carried out in all parts of the country and it can be used to develop entrepreneurship and bring technologies to all citizens of the country. K. Lukas believes that the field of construction builds almost all material objects that we can see [5]. The United Nations states that construction includes economic activities aimed at the creation, reconstruction, repair or expansion

of fixed assets in the form of buildings, improvement of engineering sites and other engineering structures, roads, bridges and dams [1]. According to the Shcherbakovs, it provides expanded reproduction of the capacities and basic tools used in construction production [6]. H.V. Sadykova emphasizes that construction, as a field of material production, is closely related to the general process of increasing the main means of the economy, which is directly involved in their creation [7]. According to T.M. Kuzmina, construction is one of the main, fund-organizing sectors that determine the rate of development of the country's economy and the solution of the most important socio-economic problems [8].

Construction differs from manufacturing in that manufacturing usually involves the mass production of products without a defined buyer or buyer, but construction usually involves building work to the specific requirements of the buyer. The International Standard Industrial Classification of All Economic Activities consists of a classification structure of all economic activities based on internationally agreed concepts, definitions, principles and classification rules. The classification structure provides an international standard format for organizing detailed information on the state of the economy and is useful for economic analysis. It has a comprehensive system for collecting, tabulating and disseminating economic data. The United Nations Statistics Division (UNSD) is responsible for developing and maintaining the International Standard of Industrial Classification (ISIC) of all economic activities. The latest edition of this classification is called International Standards Industrial Classification of All Economic Activities, Rev.4. This ISIC classification combines all activities into 21 chapters, 88 sections, 238 groups and 419



classes [1].

Based on the international standard of industrial classification of all economic activities (International Standards Industrial Classification of All Economic Activities, Rev.4), the classification of construction activities is as follows:

- construction of buildings and structures;
- civil engineering works;
- Specialized construction work for buildings or civil engineering work Division One covers the construction of complete residential and non-residential buildings.

Examples include: residential buildings and attached units (single-family, multifamily, or multi-story residential buildings), residential and industrial buildings, all other non-residential buildings used for industrial purposes, shops, factories, warehouses, restaurants, educational institutions, hospitals, health centers, government offices, post offices, entertainment buildings, sports facilities, airports and other industrial buildings. The second division of civil engineering works includes highways and highways, bridges, tunnels, subways, railways, airport runways, ports, dams, irrigation systems, other water bodies, sewage systems, utility projects (power plants and water treatment plants), including chemical plants, mining projects, long-distance pipelines, power grids, communications, local pipes and cables, sports facilities, and more.

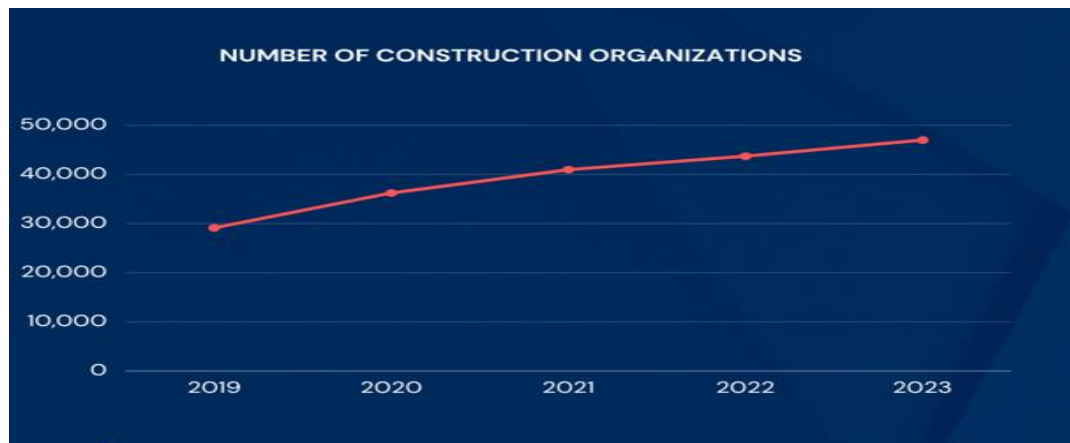
Work performed as part of the construction process includes, for example, site demolition, preparation, electrical work, building completion, installation of elevators and escalators, automated and revolving doors, lighting of conduits, emptying of the cleaning system, etc. Depending on the nature of construction works, all construction

works are divided into the following types: - creation of new buildings and structures; - making additions and changes; - repair and maintenance. The creation of buildings and structures involves the construction of an object that does not exist on the construction site. Making additions and changes is understood as carrying out reconstruction work on an existing object. Maintenance includes regular repairs and maintenance of buildings and structures, and this process cannot change the state of use of buildings and structures.

Results. The construction industry includes all organizations that are primarily involved in building or engineering projects. These organizations usually carry out construction work on a fee or contract basis or on their own account. In general, organizations that deal mainly with construction work can be grouped into two categories: general construction contractors and contractors with construction skills. These general contractors usually assume responsibility for entire construction projects. They are usually defined in contracts concluded with the owners of construction projects. Special contractors provide specialized activities for construction work. As an example, construction works of bridges, mines, power stations can be given. It should be noted that as of January 1, 2023, the number of enterprises operating in the construction sector has increased by 1.6 times compared to the corresponding period of 2019. According to the Statistics Agency, the number of enterprises operating in the construction sector in 2019 was 29,112. In addition, the number of construction enterprises in 2020 was 36,199, and in 2021 - 40,950. Also, this indicator was 43,695 in 2022, and 46,971 in 2023.

Table-1
The number of enterprises and organizations operating in the construction sector in the Republic of Uzbekistan¹

Year	The number of enterprises and organizations operating in the construction sector
2019	29 112
2020	36 199
2021	40 950
2022	43 695
2023	46 971



1-diagram. The number of enterprises and organizations operating in the construction sector in the Republic of Uzbekistan

Table-2
The share of construction organizations in completed works by ownership forms²

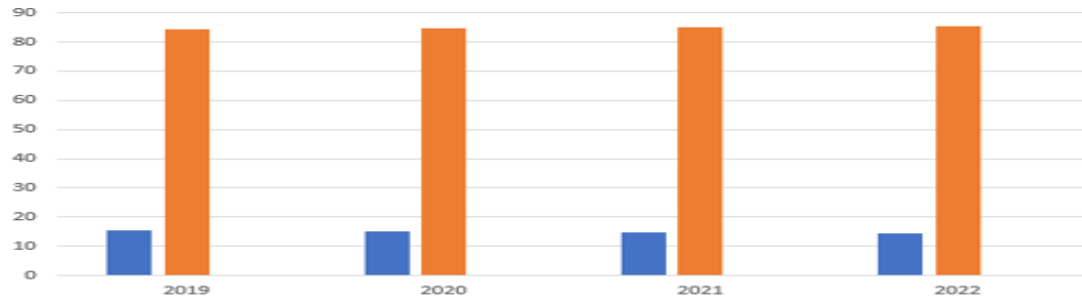
	2019	2020	2021	2022
Total	100,0	100,0	100,0	100,0
Government	15,5	15,2	14,8	14,5
Non-governmental	84,5	84,8	85,2	85,5

In 2019, state organizations accounted for 15.5%, and non-governmental organizations accounted for 84.5%. In 2020, state organizations accounted for 15.2%, and non-governmental organizations accounted for 15.2%. 84.8%, in 2021 the share of state

organizations will be 14%, non-governmental organizations will be 85.2%, in 2022, state organizations will be 14.5%, and non-governmental organizations will be 85.5% (Table 1.2).

¹ It was developed by the author based on the information of the State Statistics Committee of the Republic of Uzbekistan. <https://stat.uz/uz/rasmiy-statistika/construction-2>

² It was developed by the author based on the information of the State Statistics Committee of the Republic of Uzbekistan. <https://stat.uz/uz/rasmiy-statistika/construction-2>



2-diagram. The share of construction organizations in completed works by ownership forms

Construction works across our country in 2019 amounted to 71156.5 billion. 87,823.8 billion sums in 2020 sums,

107,492.7 billion in 2021. sums, 130767.1 billion in 2022. amounted to soum (Table 1.3).

Table-3

The value of construction works performed throughout the Republic of Uzbekistan (in million sums)³

	2019	2020	2021	2022
Republic of Uzbekistan:	71156,5	87823,8	107492,7	130767,1
Republic of Karakalpakstan	3315,4	3785,9	4480,6	5289,6
Andijan	3539,1	4474,4	5657,8	6738,2
Bukhara	4368,1	5387,2	7401,1	8340,4
Jizzakh	2510,6	2766,5	3085,4	3431,3
Kashkadarya	4365,3	4928,2	6336,6	7831,1
Navoi	3464,0	4392,9	5155,5	6062,6
Namangan	3471,0	4491,8	5556,7	6762,3
Samarkand	4527,2	5665,9	7385,7	8762,2
Surkhandarya	3979,7	4690,6	5868,4	6545,4
Syr Darya	1926,2	2192,1	2708,8	3287,8
Tashkent region	5594,1	6930,6	9401,2	12143,8
Fergana region	4162,8	5089,6	6993,7	8558,1
Khorezm region	2496,8	3032,0	4228,5	4891,7
Tashkent city	16256,9	18758,9	26535,3	31908,3

³ It was developed by the author based on the information of the State Statistics Committee of the Republic of Uzbekistan. <https://stat.uz/uz/rasmiy-statistika/construction-2>



3-diagram. Completed construction works

Discussion. The software, equipment and personnel necessary for accounting in construction organizations are directly involved, and the following goals are set: - accounting records data on cash receipts and payments for construction organizations. Accounting system timely recognition of income and expenses; - to collect and provide information necessary for the preparation of financial reports in order to inform shareholders and creditors about the financial status of the accounting system construction organization. These financial statements are important as they reveal to shareholders and creditors information about the financial status of construction organizations and the rational use of financial assets; - the accounting system collects data and prepares reports for the preparation of profit tax, income tax, wages and other necessary documents; - accounting system to provide the necessary information on each project and long-term assets to manage the financial activities of construction organizations.

For the successful management of financial resources of construction organizations, the accounting system allows management to analyze data and make

management decisions. It should be noted that the diversity of the construction industry creates complications in the organization and management of the accounting system in modern society. On the other hand, organization of the accounting system in construction organizations taking into account the characteristics of the industry and improvement of the accounting and reporting system based on international standards is the main factor of the development of the industry. It is known that construction organizations often take more than two years to complete large construction projects. Since these projects are implemented in large areas, the possibility of complete control over them decreases. Therefore, a construction project differs from a production network, which can be programmed to create a product smoothly within a defined time, quality, and financial cost. Delays in construction work are directly affected by errors in project design, extremely unfavorable climatic conditions, conditions of improvement from a physical or social point of view, problems with building permits, delays due to the demands of environmentalists, and other factors.

Theoretically, effective management



of risks during the construction process should be the goal of everyone involved in the construction project and the timely identification of potential problems, changes and risks. However, today, the lowest cost bid for a construction project is the most important criterion in public bidding. As a result of this factor, construction organizations do not take into account the costs directly related to the elimination of problems and risks that may arise under the contract that defines certain project relations. There are a number of features of the industry that affect the organization of accounting in construction organizations. Among them, we can point out the following as the most important:

a) Long duration and seasonality of the construction work cycle. From the date of signing the construction contract, construction works may last for several years. This means that reporting periods usually span several years. As a result of these factors, in the process of establishing an accounting system in the field, the value of the object is determined during the entire construction period, for the conditionally finished product, that is, after the stage of completed work, the calculation is made for certain types of work, after the completion of construction, even when the construction object is partially ready, the income depends on the completion of work. and financial results are formed.

b) Accuracy of customers. Before the start of construction work, the consumer or the customer of the construction object is known, that is, construction organizations organize work and services based on the order method. This allows to calculate and record the price of the construction object and the mechanism of its determination in advance.

c) Organization and management of construction works are collective in nature.

Special methods of distribution of wages are used among the crew members involved in construction work. For example, the use of the labor share coefficient, when awarding a certain amount of work and services before the deadline.

d) Due to the fact that the construction industry is a large consumer of construction materials and products. A large share of raw materials and materials, volume and nomenclature of products is used in the course of construction works in this area. Due to the fact that they are brought into the warehouse at different prices or due to the long duration of construction work and price changes due to inflation, cooperation with different supplier organizations, it is necessary to use different methods of accounting for materials. Or, it will be possible to use only one valuation method for each group or type of materials in a particular reporting period. The methods defined by the group of materials are specified in the accounting policy.

e) Organization of construction works and services in another place. Construction work and services are organized not at the location of the construction organization, but at the designated site. This corresponds to the establishment of a specially designed construction base for the organization and execution of certain construction works from the construction site. An important aspect of this feature in the organization of the accounting system is that it creates the obligation to correctly manage the costs of moving the main means involved in the construction work, placing construction units, organizing temporary warehouses, wagons and containers for serving employees. In this field, the accounting system is maintained in the organization itself, and the accounting objects are usually located far from it. In the era of the current digital economy, economic entities are



operating in a centralized system.

That is, the head office of the organization is organized in one region of the Republic, and work and services are organized in another region. This makes it possible to collect account information by establishing accountability centers responsible for accounts at each construction site for proper accounting. For example, section heads, foremen, dispatchers are expected to keep working time tables, reports on the construction site and send them to the accounting department every month. e) Depending on the seasons of construction works and services. The natural characteristics of the construction object depend on the temperature regime depending on the seasons. Such natural features have different effects on the cost of construction works and services. i) By source of funding. Construction objects are provided with funds in a special order at the expense of funds of centralized sources of the state budget and extra-budgetary special funds, foreign loans attracted under the guarantee of the Republic of Uzbekistan or on its behalf, funds of

certain industries and enterprises funds specially established by the decisions of the Government.

Conclusion. The following conclusions were formed based on the study of the theoretical basis of accounting for the role of construction organizations and operational activities in the conditions of economic modernization: 1. In our opinion, the construction industry constitutes a significant part of the national and global economy at any given time, and this industry creates new jobs and material assets. For this reason, organization and management of accounting taking into account the basic features of the construction industry is gaining urgent importance. 2. Having studied the experience of developed countries, it is proposed to separate their business activities into operational and non-operational activities in the preparation of reports and keep accounting in business entities, including construction organizations, based on international standards of financial reporting.

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