

**CONCEPTUAL FOUNDATIONS OF IMPROVING ACCOUNTING IN SMALL BUSINESS
AND PRIVATE ENTREPRENEURSHIP**

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Abstract. *In this article, the basics of organizing the activities of small business and private business entities, the accounting of small business entities and a separate system of its management, the methods of organizing simplified accounting in small businesses, improving the accounting of small business and private business entities and ensuring their effective operation recommendations have been made.*

Key words: *small business, business operations, organization owners, investors, regulatory bodies, simplified system, accounting policy, accounting policy, startup income, startup expenses.*

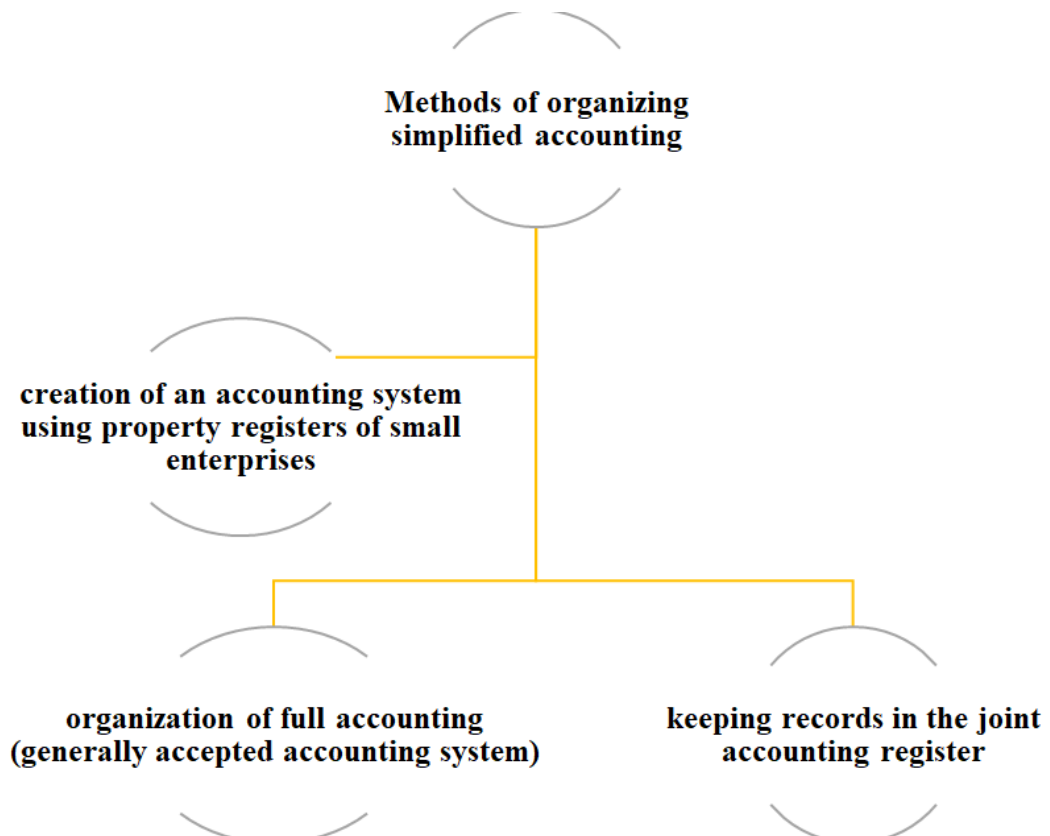
The most effective way to stabilize the economy is to create competition in the business environment. This can be achieved by promoting and supporting small businesses. It is the small business that has the advantages of flexibility and immediate adaptation to the new conditions of the rapidly changing economic market. It has the ability to immediately respond to the smallest changes in the world economy. Small business is the basis of the economy of the most developed countries in the modern world. They make up about 50-70 percent of the country's gross domestic product (GDP).

Accounting is carried out by recording information about completed business operations in the organization. The entered data is then processed, based on which reports are prepared, which are then sent to the relevant regulatory authorities and interested users.⁵

Users can be divided into 3 groups: organization owners, investors, regulatory bodies. Among the listed external users, of course, there are investors who can invest in business development, which is especially important for small businesses. Small business representatives must keep accounting, and the choice of accounting system is determined for them at the legislative level.⁶

⁵ <https://factorialhr.com/blog/accounting-concepts/>

⁶ <https://moluch.ru/archive/395/87386/>



Methods of organizing simplified accounting in small business enterprises.

Organization of accounting in small enterprises has the following features:

- division of labor is partially or completely absent in accounting;
- relevant functions are performed by chief accountants or accounting staff;
- tax legislation affects the organization of accounting;
- it is not always possible to adapt existing standard software to the activities of a specific small enterprise.

When organizing accounting for a small enterprise, it is necessary to take into account the specific characteristics of the enterprise and implement the organization in accordance with the current legislation. The form of accounting is chosen independently by the head of a small enterprise, taking into account the needs of production and management.

Accounting for small businesses can be done using a simplified system, because businesses do not perform as many business operations as large enterprises, and the implementation of these operations is not associated with large costs, so operations are possible. Small businesses can use both standard interdepartmental forms and departmental forms for initial accounting of documents. All primary documents received by the accounting department of small business are checked for form and content.

The proposed relationship between the components of the accounting policy and the regional and territorial factors affecting it significantly increases the efficiency of accounting and analytical procedures, as it is possible to implement operational control over the changes that occur as a result. This approach is especially relevant for small businesses that carry out different types of activities that require the use of different

methods of income and expense recognition, and therefore different documents and accounting and budgeting methods. Analyzing the impact of external factors on certain types of activity allows you to quickly respond and reduce or increase certain areas of work to increase your competitiveness.

In order to immediately account for the organization's income, the accounting policy specifies the types of main documents used in settlements with customers, the procedures for filling out these documents and the main records used in settlements with customers, the process and procedure for confirming overdue receivables need.

In conclusion, it can be said that based on the above information, we would like to make the following recommendations in order to improve the accounting of small business and private business entities and ensure their effective operation.⁷

First, it is advisable for small businesses and private entrepreneurs to maintain accounts in commercial banks for separate business and personal expenses.

One of the first steps a small business should take is to open a business bank account, which it can do after receiving an employer identification number, or EIN (self-employed individuals can use social security numbers). Business bank accounts have several advantages over personal accounts.

Second, the development of the budget by the head of the enterprise. One of the first steps in creating a business plan is to develop a list of income projections and expected expenses, and then compare this budget with actual expenses and income.

Thirdly, the choice of the accounting method by the head of the enterprise. Every small business and startup must choose a set of rules to determine when to report income and expenses. This ensures a consistent accounting method for tax purposes. Cash-based accounting can be simpler and easier to manage for small businesses because revenue is recorded when payment is received. Similarly, expenses are deducted when the money actually comes out of the company's account. Accrual accounting records sales at the time a product is shipped or a service is delivered. In a retail setting, sales are recognized at the time of purchase, and in other industries, revenue may not be recorded for weeks or even months after the sale. This requires double-entry bookkeeping. Because accrual accounting takes a long-term view of a business, it usually provides a better picture of a company's financial health.

Fourthly, controlling the account of high expenses by the head of the enterprise. Labor costs are the biggest expense for many small businesses. To reduce labor costs, many small businesses outsource work to hourly billing contractors. It can be cheaper because contractors may not need 40 hours a week to do your work and they don't claim benefits. Time tracking software helps executives understand how much certain tasks are costing the business, allowing the business to better budget and find ways to control those

⁷ <https://www.netsuite.com/portal/resource/articles/accounting/small-business-accounting-tips.shtml>

costs. Companies can reduce inventory costs by tracking inventory costs, inventory turnover, inventory wear and other key metrics.

Fifth, planning large investments by the head of the enterprise. By constantly monitoring expenses and income, a businessman can determine the best time for large investments and determine the loan he may need to cover expenses. Business credit cards can help an organization build a credit history so it has a better chance of qualifying for financing (and optimal financing terms), including lines of credit and loans, when it needs more capital. Securing these sources of financing is important to a company's overall financial health, with 45 percent of businesses in good financial health taking out loans or credit cards from a bank, compared to companies in poor or below-average financial health. only 3 percent learning Additionally, credit cards offer perks such as business rewards or travel rewards.

Sixth, to make sure that the inventory information is correct by the head of the enterprise. A business needs accurate inventory information to prepare financial statements. It must calculate the cost of goods sold for the income statement and the value of inventory on hand for the balance sheet. Physical inventory is tracked by regularly counting items manually or by linking the counts to an inventory management system that, if integrated with a point-of-sale system and accounting software, can automatically adjust numbers as sales occur. Inventory management software not only makes tracking inventory easier, but the data becomes more accurate.

Seventh, organization of the financial forecasting process by the head of the enterprise. Financial forecasts help businesses estimate future income and expenses, answer questions such as whether they need financing or whether they need to reduce capital expenditures. Financial forecasts help business managers estimate cash flow and determine when to adjust prices or production plans.

By taking steps to establish strong accounting processes from the start, small businesses and startups increase their chances of success. Research shows that the more often a small business reviews its financial numbers, the better its financial health, which should ultimately lead to long-term success. Although accounting is not the passion of most small business owners, they need to review these important financial indicators frequently to take advantage of growth opportunities and ensure the company's solvency.⁸

⁸ <https://www.netsuite.com/portal/resource/articles/accounting/small-business-accounting-tips.shtml>

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