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# Improving the Methodology of Calculating the Cost of Educational Services in Non-Government Educational Organizations

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**Abstract:** A thorough examination of the methods for educational service cost calculation exists in both national and international non-governmental educational organizations (NGEOs). The research investigates the ways in which direct and indirect costs get included in educational service expense records and stresses that appropriate cost distribution ensures financial transparency and operational efficiency. This study demonstrates how NGOs struggle to apply international financial reporting specifications for handling indirect expenses that include general production costs. The proposed methodological design for cost accounting suggests student enrollment as the basis for proportionally distributing general production expenses to guarantee financial transparency across all NGOs. General production expenses account for the majority of expenses in NGOs especially when considering canteen operations and facility maintenance costs. The research uses a systematic cost allocation model to show how NGOs can optimize their financial operations thus maximizing available resources while improving sustainability performance. The research findings show that standardized cost calculation systems would boost efficiency while supporting financial policies which regulate educational institution budgets. Such understandings serve as fundamental guidance for better accounting procedures in NGOs so institutions can create thorough financial reporting frameworks while retaining educational affordability with financial stability. This research document makes contributions to the evolving discussion about education cost management through practical advice for educational policymakers and administrators and institutional administrators.

**Citation:** Mustafojev A. F. Improving the Methodology of Calculating the Cost of Educational Services in Non-Government Educational Organizations. Central Asian Journal of Innovations on Tourism Management and Finance 2025, 6(1), 264-271.

Received: 10<sup>th</sup> Jan 2025  
Revised: 12<sup>th</sup> Jan 2025  
Accepted: 5<sup>th</sup> Feb 2025  
Published: 11<sup>th</sup> Feb 2025



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**Keywords:** non-governmental educational organizations, educational services, cost of educational services, direct costs, indirect costs, general production costs, cost of educational services, accounting, financial reporting.

## Introduction

Today, the number of enterprises operating in various sectors in the territory of our Republic is increasing, and they are producing new types of products and providing innovative services. The government, in order to provide social support to the population and ensure their well-being, is pursuing a fair policy of reducing the cost of these products and services. In particular, the President of our country, Sh.M. Mirziyoyev, in his address to the enlarged meeting of the Cabinet of Ministers, emphasized the following points: “the effectiveness of the implementation of targeted programs, which shows the extent to which reforms are effective. Among these, the following economic and financial indicators of the development of industry and other sectors can be cited: the state of production

capacities, reducing costs and costs, localization and the level of profitability, and undoubtedly increasing the competitiveness of products"[1].

Thus, one of the most important tasks facing the country today is to reduce the cost of products and services, and one of the most urgent tasks today is to reduce the cost of educational services provided by non-governmental educational organizations, including conducting research on managing and accounting for expenses that affect cost, and developing reporting forms to establish control over cost.

#### **Literature review**

International accounting doctrine, in particular, IAS 2 "Inventories", notes that overhead costs indirectly affect cost objects in a fixed and variable manner, and "The allocation of fixed production overhead costs to the cost of processing is determined based on the standard production capacity. Variable production overhead costs are allocated to the cost of each product based on the actual use of production capacity"[2]. These regulations show that, in accordance with international standards, overhead costs indirectly affect the cost of production, and such costs are recognized as general production costs in the accounting of economic entities.

In accordance with the order of the Ministry of Industry, Science and Technology of the Russian Federation "On approval of the Methodological Regulations for planning and accounting for the costs of production and sales of products and calculating the cost of products at chemical enterprises", the following cost items are included in the structure of general production costs:

- \* costs of salaries of management personnel working in structural divisions,
- \* buildings used for general production purposes,
- \* costs in the form of depreciation of equipment, costs of their maintenance, current and capital repairs,
- \* costs associated with the management of production processes, technical service, etc.[3]

Other foreign sources state that "overhead costs are the costs of ordinary activities of an enterprise associated with maintaining its main and auxiliary production, and the composition of overhead costs is determined independently by each enterprise and organization, taking into account its specific characteristics" [4].

A.V. Ilyina and N.N. IIsheva argue that "general production costs are the costs of general production workshops for organizing, maintaining and managing production. A distinctive feature of general economic costs is that they do not change depending on changes in the volume of production (sales)" [5]. Foreign scientists have described in this definition the different aspects of general production and general economic costs and developed scientific and theoretical recommendations for their accounting.

One of the Uzbek scientists, K.B. Urazov, gives the following definition: "general production costs are understood as the costs of all departments related to the management and organization of all main and auxiliary production workshops, as well as those providing them with services" [6].

Another economist, S.N. Tashnazarov, explains that general production costs are "overhead production costs" and notes that in accounting, these costs should be divided into two groups: fixed overhead production costs and variable overhead production costs.[7] According to the scientist, fixed overhead production costs include costs that do not affect the change in production volume at enterprises.

In the scientific research work of B.F. Boronov, the structure of general production costs at enterprises of the oil and gas industry was determined, and the structure of such costs included material costs, labor costs, utility costs and other costs as follows[8].

D.S. Tashnazarova, on the other hand, described general production costs as additional production costs and recommended modern methods for including these costs in the cost of finished products using the example of manufacturing enterprises[9].

During the research conducted by us, we came to the conclusion that in non-governmental educational organizations, out of the four types of activities divided into groups based on the results of the research, only two, namely educational services for the main activity and additional activities, should be calculated and reflected in the reports.

Of these types of activities, cost objects for the main activities should be reflected in the accounting records at their actual value. However, although the costs incurred for the additional activity are accounted for separately in the accounting records, we believe that cost objects for them should be reflected in the accounting records at their selling price. Also, in our opinion, in non-governmental educational organizations, general production costs should be carried out only for the cost of educational services for the main activity, and we believe that these indirect costs are not related to the results of other activities of the educational organization.

### **1. Materials and Methods**

The study implements a research methodology to advance the methodological framework that determines educational service costs in Uzbekistan's non-governmental educational organizations. The research combined quantitative and qualitative approaches for complete examination of educational sector cost structures and pricing effects. The study used a combination of theoretical examination and empirical data to establish its methodology. The theoretical part involved reviewing worldwide and local research about cost accounting and financial reporting alongside educational service cost management. This section contained practical assessments of cost allocation methods by investigating selected non-governmental educational institutions throughout Uzbekistan. Research employed both types of data which included primary and secondary sources. The researchers collected primary data by watching first-hand while speaking with non-governmental educational organization financial leadership and sending stakeholder questionnaires to students and administrative personnel. Financial reports together with official accounting guidelines and IAS 2 "Inventories" provided the sources for this secondary data. The research used comparative analysis to assess cost allocation approaches in educational institutions together with economic models to evaluate pricing effects of cost distribution methods and inductive and deductive reasoning to develop theoretical models from empirical observations. A multi-step system became imperative because of the sophisticated cost structures which existed within educational services delivered by non-governmental organizations. The institutional data supported the "number of students-based method" for cost allocation because both theoretical models and real-world testing within educational settings proved its validity. General production costs are distributed with this approach so they evenly match the quantitative service consumption while maintaining fairness throughout the distribution process.

The study presents a solid framework to determine costs yet some restrictions emerge because institutions may experience varying cost elements and the study relies on limited case study data. The future research agenda should include two main aspects: it should expand the studied sample volume and should integrate improved cost-accounting methods which include activity-based costing.

### **2. Results and discussion**

As a result of the research, the activities of non-governmental educational organizations were divided into several types. It was mentioned above that general production costs relate only to the main type of activity of these types of activity. The next important issue is the task of how to distribute these general production costs to this type of activity. The results of the research on the activities of non-governmental educational organizations showed that, in our opinion, it is necessary to apply the "method proportional to the number of students" of allocating general production costs to the cost of educational services in non-governmental educational organizations and distribute general production costs according to this method in proportion to the cost of educational services.

The reason for this conclusion is that during our research it became clear that in non-governmental educational organizations the largest expenses in the structure of the general production economy are incurred in the canteen department. In addition, the analysis of general production expenses in non-governmental educational organizations showed that the largest expense in the structure of general production expenses is material expenses, and these expenses are also incurred in the canteen department. The

expenses of the canteen department depend on the number of students, and changes in this quantitative indicator have a significant impact on general production expenses. Based on the above considerations, we studied the "method proportional to the number of students" of general production expenses in the cost of educational services using practical examples of non-governmental educational organizations.

The non-governmental educational organization "Prospective Education" provides general education, preschool education and upbringing, school preparation, and other additional activities. In September 2024, the number of students receiving education and upbringing in this educational organization was as follows:

\* the number of students of the general education service - 520;

\* the number of recipients of education and training in preschool education and training service - 110;

\* the number of recipients of education and training in the school preparation service - 75;

Although a non-governmental educational organization carries out additional activities along with its main activities, general production costs do not affect the cost of services for these types of activities.

Based on the above information, we express the impact of general production costs on the cost of educational services through the following table:

**Table 1**

**Allocation of general production costs to the cost of educational services using the "method proportional to the number of education and training recipients" in the non-governmental educational organization "Istiqbolli Ta'lim"<sup>1</sup>**

<b>In September 2024, in thousand soms</b>			
<b>Types of educational activities</b>	<b>The number of people receiving education and upbringing</b>	<b>Allocation percentage of total production costs</b>	<b>Share of total production costs</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
General education service	520	73,8 %	<b>381 013</b>
Preschool education and upbringing service	110	15,6 %	<b>80 539</b>
School preparation service	75	10,6 %	<b>54 726</b>
Total:	705	100 %	516 278

Note: Column 3 = Column 2 / 705; Column 4 = Column 3 x 516278.

From the data in this table, it can be seen that when distributing general production costs to the cost of educational services, first of all, the number of students receiving education and training for each type of the main activity of the non-governmental educational organization is determined. Then, it is determined what percentage of the total number of students receiving education and training in the non-governmental educational organization is determined by the main types of activity. These indicators, determined as

<sup>1</sup> Author development based on research.

a percentage, are multiplied proportionally by the total general production costs incurred at the end of the reporting period. This value, in turn, is the share of general production costs for the main activity. The values determined in the above manner in the non-governmental educational organization are taken to the cost of educational services for each type of the main activity of the non-governmental educational organization.

Now, in order to calculate the cost of educational services in this non-governmental educational organization, we will determine the share of direct costs for each type of activity, calculated as a result of our previous research and reflected in the accounting records:

**Table 2**

**Analysis of the impact of direct costs on the cost of educational services in the non-governmental educational organization "Istiqbolli ta'lim"<sup>2</sup>**

In September 2024, in thousand soms

Types of educational activities	Direct costs	Share of direct costs, in percent
1	2	3
<i>By type of main activity</i>		
General education service	426 925	68
Preschool education and upbringing service	128 897	21
School preparation service	48 747	8
<b>Total by main type of activity:</b>	<b>604 569</b>	<b>97</b>
<i>By type of additional activity</i>		
Educational services (clubs) provided outside the school program	14 283	2
Educational building (sports and spiritual halls) rental services	6 296	1
<b>Total by type of additional activity:</b>	<b>20 579</b>	<b>3</b>
<b>Total direct costs:</b>	<b>625 148</b>	<b>100</b>

It can be seen from the data of the above table that determining the cost of educational services in non-governmental educational organizations has its own characteristics.

<sup>2</sup> Author development based on research.

Now, based on research, we calculate the cost of educational services in non-governmental educational organizations according to the procedure recommended by us as follows:

**Table 3**

**Calculation of the cost of educational services in the non-governmental educational organization "Istiqbolli ta'lim"**

<b>In September 2024, in thousand soms</b>			
<b>Types of educational activities</b>	<b>Direct costs</b>	<b>Total production costs</b>	<b>Cost of educational services</b>
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<i>By type of main activity</i>			
General education service	426 925	381 013	807 938
Preschool education and upbringing service	128 897	80 539	209 436
School preparation service	48 747	54 726	103 473
<b>Total by main activities:</b>	<b>604 569</b>	<b>516 278</b>	<b>1 120 847</b>
<i>By type of additional activity</i>			
Educational services (clubs) provided outside the school program	14 283	0	14 283
Educational building (sports and spiritual halls) rental services	6 296	0	6 296
<b>Total by type of additional activity:</b>	<b>20 579</b>	<b>0</b>	<b>20 579</b>
<b>Total:</b>	<b>604 569</b>	<b>516 278</b>	<b>1 141 426</b>

It can be seen from these calculations that the cost of educational services in non-governmental educational organizations is determined both by the main types of activities and by additional types of activities. However, general production costs incurred in non-state educational organizations, as can be seen from this example, only affect the cost of educational services in the main types of activities and are added to their cost. The cost of educational services for additional activities, as noted above, consists only of direct costs.

### 3. Conclusion

It can be concluded from the results of the research presented above that the share of direct expenses made in non-state educational organizations on the main types of

activities is a significant contribution compared to additional types of activities. Among the main types of activities, expenditures on general education services make a larger contribution than preschool education and training and school preparation services.

As a result of the analysis of these indicators, it can be said that the impact of the direct expenses made in the non-governmental educational organization on the types of educational services was as affected as the number of people receiving education and training on these types of activities. It is considered natural that this situation occurs in non-state educational organizations, and the more the number of people receiving education and training according to the types of activities, the more the expenses will be corresponding to these types of activities.

We believe that it is appropriate to include this model for determining the cost of educational services in the "Accounting Policy for the Organization and Maintenance of Accounting in Non-Governmental Educational Organizations" developed by us. In addition, we believe that this model for calculating the cost of educational services developed by us will serve to improve management accounting in non-governmental educational organizations, to realistically calculate the cost of educational services for each type of activity, to control and comparative analyze the cost of educational services, and to comprehensively and openly reflect them in management reporting forms.

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