

## **THE VALUE ADDED ESSENCE AND STRUCTURAL ELEMENTS**

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### **ABSTRACT**

*The article considers the essence of the category "added value". The definition of value is given on the basis of the analysis of various literary works. The constituent elements of added value are included.*

**KEYWORDS:** *Value Added, Constituent Elements, Income, Expense, Cost, Production Process, Profit.*

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### **INTRODUCTION**

Tax theory reveals economic relations and objective and subjective contradictions arising from them in the subject of taxation, significant dependence and relevance, and, if necessary, interprets phenomena in the process of tax collection by means of categories. Knowledge of taxes serves to correctly express one or another type of tax, the concepts inherent in it. In the study of Value Added Tax, the theoretical justification of the essence, significance of the concept of "value added" is considered important. In this regard, in this article we want to dwell on the economic essence of the value added category.

### **LITERATURE REVIEW**

It is known that the essence of each economic category is revealed using the definitions given to it. In highlighting the economic essence of value added, It is important to study the definitions given to it by scientists from classical and modern economists.

Famous American economists s.Fisher, R.Dornbush, R.Schmalenzi believes that " value added is the remaining part of the firm's realisation volume after the value of the materials purchased to produce the product is discounted" [1].

Economists Djefri D.Saks, Felipe Larren B.in his opinion "" if the materials received from the total income of the firm to the firm are deducted, the result will be equal to the added value " [2].

Campbell R.McConnell, Stanley L.Brue believes that" Value Added is the part of the volume of products produced by a firm that is bought from suppliers of goods at a market price, and the raw materials consumed to produce that product remain after the value of the materials has been discounted " [3].

American Craftsman N.Gregory Mengyu believes that " the amount of money received as a result of the realisation of products produced by the firm is called the gross income of the firm. The amount of funds directed by the firm to the purchase of production resources is called the total costs of the firm. We find the profit of a firm as the difference between its gross income and its total cost. When we add wages, value added comes" [4].

P.A.Samuelson, V.D.Nordhouse wrote in his famous book "Economics" that "Value Added is the difference between a firm's sales volume and the materials and services it buys from

other firms. It includes wages, other payments, interest on payment and dividends” [5].

Economists M.Park, D.King believes that " Value Added is the value of intermediate goods purchased from firms other than the value of the firm's production products is subtracted” [6].

Russian economist A.E.Kosarev notes that " value added – value created in the process of economic activity, is a quantitative indicator that reflects the volume of growth in the value of goods or services in the production jargon. The product is defined as the difference between the cost of production and the value of goods, services spent in production” [7].

Professor T.S.Malikov said that " Value Added (Value grown) will be known to embody the costs of processing in itself and, above all, the costs of wages. In addition to the above, the composition of added value also includes depreciation and other elements of costs that are directly related to the production cycle” [8].

A.S.Zhuraev, A.M.Amanov, O.A.The shodievs described the added value as follows. "Value added, in its economic essence, consists in the difference between the value of goods sold, the work performed and the services provided and the value of goods, raw materials and services consumed in the production process. Naturally, in the production process, and later as a result of the division of Labor, a certain commodity goes through several boskichs in the production and treatment process until it is brought to the market, in each of these stages a value added is created“ [9].

Economist D.Tajiboeva described in her books that “Value Added is the volume expressed in the market price of a product created by each enterprise, firm, from which the raw materials, materials used for purchase are deducted” [10].

Well-known economist scientist Sh.Q.Gataulin describes value added as follows:” value added includes wages, depreciation, interest for credit, profit, etc. ” [11].

Another well-known economist is Sh.A.Tashmatov expressed the opinion that “by Value Added, material resources are understood as the excess value included in the purchase price of goods and services added by business entities in the sale price on the market, and expressed the opinion that commodity costs, elegance are recognized by the market, and their monetary equivalent is given,”and described the value added category as follows. Value added is a part of the market price of goods (work, services), or rather, the part of goods (work, services)that remains after the value of material resources and intangible assets spent on the production, provision of services or performance of works is subtracted from the market price. This part refers to the costs associated with the processing of resources acquired as a result of the combination of labor with material resources, intangible assets and their readiness for final consumption. This expresses the fact that an additive is included in the value of raw materials. The market determines what the additional amount will be. When a commodity with a high degree of elegance is sold, the value added can be many, unless its cost changes. And vice versa, when the level of elegance is low, the goods can be sold at a price even lower than the cost [12].

## **RESEARCH METHODOLOGY**

The theoretical and methodological basis of the article is the method of dialectical analysis, which, as a result, makes it possible to study the essence and significance of value added.

The preparation of the article is based on the achievements of economic and other sciences, the works of foreign and Uzbek scientists on the topic, research work, internet data.

## **Analysis And Results Discussion**

As you know, the concept of value is the basic concept of the economy. The nature of value added in the economy does not currently have a generally accepted explanation. Each enterprise creates its own added value in the production process, but usually calculations are not made that represent the exact dimensions of this indicator. Many scientists reflect on the formation of value added, No General single explanation is given in the economic literature.

Also, the process of formation of value added is not reflected in regulatory legal acts either. In documents of this type, the formation of parts (elements) of value added is not explained as a separate indicator, based on. Although various methods of determining the value added indicator are currently encountered, there is no single methodology for this.

The formation of an indicator of value added for various (accounting, information, taxation) purposes at the micro and macro level is largely determined by the nature and multi-element structure of this indicator.

The economic content of the indicator" value added " is an increase in the value of the material resources purchased by the manufacturer and spent in the production process at the expense of the means of Labor and wages. In this case, the material depends on the resources - raw materials, materials, fuel, etc.G., includes the means of Labor – depreciation of basic and intangible assets.

Value added is an economic indicator that is calculated at the same time and is used for the purpose of assessing production efficiency. Value added is a complex category in terms of composition, the elements of which we will show in Figure 1 below [13].

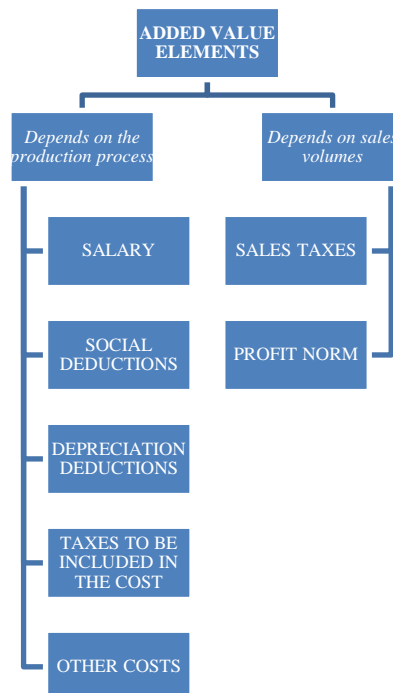


Figure 1. Structural elements of added value.

The importance of the value added indicator is very important. Firstly, this category is directly related to the level of efficiency of the enterprise's work activity, and secondly, value added is the main source of the formation of state budget revenues. Therefore, both the state and enterprises will be interested in the growth of value added at the same time.

As shown in Figure 1, Value Added includes 7 large elements: wages of workers of various categories, social deductions, depreciation deductions to fixed assets and intangible assets, taxes included in the cost of products, other expenses, sales taxes, profit norm.

Wages are considered one of the main elements of added value. This takes into account the wages of workers of basic production, additional production, auxiliary and universal importance. Labor is the main production factor in all theories of value added creation. Social deductions, directly related to the amount of wages, are also recognized as an important and indispensable element of value added.

The next element of added value is depreciation deductions to fixed assets and intangible assets. Depreciation is understood as the transfer of the value of basic and intangible assets to the value of the product produced over the years. Thanks to this, funds are accumulated to obtain new tools and restore existing ones.

Taxes that are included in the cost of products may vary based on the tax policy of the states. Also, other expenses recognized as an element of value added are formed on the basis of the requirements of national accounting and tax legislation.

When determining the elements of value added related to sales, it is important to determine the prospects for the volumes of sales of the enterprise for a certain period. In this case, based on the planned sales volumes, it is possible to calculate the size of sales-related taxes (value added tax, excise tax, profit tax), which will be paid in the future.

### **Summary And Suggestions**

Analyzing the above-mentioned definitions of our outstanding foreign and domestic economists, as a result of our research, we can come to the following two main conclusions that express the essence of value added:

- First, value added is considered in relation to the production process. In this case, the raw materials, materials, wages, depreciation and others spent on production.s are taken into account.
- Secondly, the added value can be determined in the process of product sales. In this case, a positive difference between the proceeds from the sale and material and intangible costs is obtained.

We also believe that there are the following problems in understanding the essence of' added value:

- First, each enterprise creates its own added value in the production process, but usually calculations are not made that represent the exact dimensions of this indicator.
- Secondly, many scientists reflect on the formation of value added, but the economic literature does not provide a single general explanation.
- Thirdly, the process of formation of value added is also not reflected in regulatory legal acts. In documents of this type, the formation of parts (elements) of value added is not explained as a separate indicator, based on.
- Fourth, although various methods of determining the value added indicator are currently encountered, there is no single methodology for this.

As a solution to the above problems, we will give the following recommendations and suggestions in order to understand the essence of value added and reveal its significance:

- It is important to consistently continue scientific research aimed at revealing the content, essence of added value;
- It is necessary to develop a unified methodology that reveals the essence of value added for the purposes of accounting, statistical accounting and taxation;
- It is necessary to give a detailed understanding of the term "value added" in the relevant sections of the tax code;

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