

# PERIOD COSTS AND THEIR CHARACTERISTICS IN CONSTRUCTION ENTERPRISES

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**Abstract:** This article discusses the nature, composition, and specific features of period costs in construction enterprises. Unlike production costs, period costs are not included in the cost of production but directly affect the overall financial results of the enterprise. The article examines the economic essence of management, sales, and administrative costs, as well as methods for their planning and analysis. Furthermore, it analyzes effective ways to optimize period costs in construction enterprises and the possibilities of monitoring them through digital technologies. The results of the study contribute to ensuring financial stability and increasing competitiveness in the construction sector.

**Keywords:** period costs, construction enterprises, management costs, administrative costs, sales costs, cost analysis, optimization, financial result.

**Introduction:** In a market economy, every enterprise must manage its costs efficiently to operate effectively, remain competitive, and maintain financial stability. This issue is particularly significant in the construction industry, where production processes are complex, long-term, and resource-intensive. The financial results of construction enterprises largely depend on their ability to classify and manage costs properly. Period costs are those not directly related to the production process but necessary for running, managing, marketing, and supporting the enterprise's operations. They are not included in the cost of production but directly influence the company's periodic financial results—namely, profit or loss.

In construction enterprises, period costs typically include administrative and management expenses (management salaries, accounting, legal services, office

rent, etc.), marketing and sales expenses (advertising, participation in tenders, communication with clients), and other general business costs. Correct accounting and control of these costs play an important role in determining the profitability of the enterprise.

In recent years, with the rapid development of the construction sector in Uzbekistan, the expansion of new infrastructure projects, and increasing competition, optimizing period costs has become one of the most pressing challenges. Therefore, a thorough study of the economic essence of period costs and the development of effective management mechanisms are of great practical importance.

## **Literature Review**

There are various approaches to the concept and management of period costs in economic literature. Economists generally define them as expenses related to the overall activities of an enterprise but not directly included in the production process.

For example, M. Porter, in his book *“Competitive Advantage”*, emphasizes that cost management strategy is a key factor in ensuring the enterprise’s long-term competitiveness. According to him, analyzing and reducing period costs allows a company to gain a pricing advantage in the market.

R. Kaplan and D. Norton, in their *“Balanced Scorecard”* concept, also stress the importance of managing costs at a strategic level. They argue that period costs should be analyzed not only through financial indicators but also in connection with internal process efficiency, customer satisfaction, and innovation capacity.

Uzbek economists R. Qodirov and S. Rakhimov have demonstrated in their studies that properly defining the structure of period costs in construction enterprises is crucial for accurate accounting and financial result analysis. According to them,

the correct accounting of administrative and management expenses enables the determination of a company's real profit level.

G.P. Shatunova has written about automated systems for managing period costs in construction enterprises, emphasizing that modern digital technologies simplify cost monitoring and control.

Similarly, N. Murodova, in her work *“Improving the Mechanisms of Cost Management in Construction Enterprises”*, shows that period cost reduction can be achieved through remote management, digital accounting systems, and optimized marketing policies.

In general, literature analysis shows that effective management of period costs is essential for increasing profitability, stabilizing financial results, and ensuring competitiveness. Particularly in the construction sector, organizing this process based on a strategic approach significantly impacts the economic stability of enterprises.

## **Research Methodology**

In studying the analysis and management of period costs in construction enterprises, both theoretical and practical research methods were applied. The research object consisted of large and medium-sized construction enterprises in the Republic of Uzbekistan. Their financial statements for 2022–2024 were analyzed to identify trends in period cost changes. The results can be practically used to improve management systems, control costs, and enhance financial outcomes in construction enterprises.

## **Analysis and Results**

The analysis of period cost composition in construction enterprises shows that these costs occupy a significant share in the overall cost structure and directly

affect financial results. Period costs usually include administrative, marketing (sales), and other general business expenses.

### Structure of Period Costs in a Medium-Sized Construction Enterprise

**Table 1.**

Type of Cost	2023 (million UZS)	2024 (million UZS)	Growth (%)
Administrative expenses	820	940	14.6%
Marketing and sales expenses	460	510	10.9%
General business expenses	310	355	14.5%
<b>Total period costs</b>	<b>1,590</b>	<b>1,805</b>	<b>13.5%</b>

As seen from the table, period costs increased by 13.5% in 2024. The main reasons for this growth include higher administrative expenses (office rent, salaries, business trips) and increased advertising costs due to expanded marketing activities.

The enterprise's net profit rose from 1.2 billion UZS in 2023 to 1.35 billion UZS in 2024. However, the share of period costs relative to revenue increased from 17.8% to 18.2%. This means that costs grew faster than profits. Therefore, it is necessary to introduce an efficient cost management system.

Based on the analysis, the following directions were identified for improving efficiency:

- Introducing **digital management systems** to automate accounting and cost monitoring, potentially reducing administrative expenses by 8–10%.
- Implementing **remote work systems** to reduce office space, energy, and service expenses.
- **Reallocating marketing costs**, replacing traditional advertising with digital marketing tools (social media, SEO, SMM) to improve efficiency.

- Developing a **competitive pricing policy** in tenders based on accurate cost and period expense calculations.

## **Conclusion**

The research results revealed the structure, types, and impact of period costs on the financial performance of construction enterprises. The analysis shows that period costs, while outside the production process, play a vital role in ensuring efficient enterprise operations and are a key factor in increasing profitability.

Period costs include administrative, marketing, and general business expenses essential for effective operations. In construction enterprises, most period costs are related to administrative management and marketing, which significantly affect financial results.

To manage period costs efficiently, it is necessary to implement modern planning, control, and analysis mechanisms. The use of digital technologies, automated accounting systems, and remote management methods can significantly reduce period costs.

Based on the results, the following recommendations are proposed:

- Implement an integrated information system for cost management in construction enterprises to track all administrative and marketing expenses in real time.
- Prepare a quarterly analysis report of period costs and compare them with profit indicators to assess financial efficiency.
- Reduce administrative costs by adopting remote work and online management formats.
- Develop a digital marketing strategy (social media, online advertising, brand image) to ensure effective use of marketing budgets.

- Improve the qualifications of accountants and economists in cost analysis and introduce best international practices into accounting processes.

Overall, the rational management of period costs is crucial for ensuring financial stability, increasing profitability, and strengthening competitiveness in construction enterprises. Therefore, by adopting modern analytical methods and digital management mechanisms, enterprises can further enhance their economic potential.

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