

ISSUES OF IMPROVING PRODUCT COST ACCOUNTING IN ENTERPRISES

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Abstract: *Effective cost accounting is a fundamental requirement for sound managerial decisions, as it supports pricing, planning, and performance evaluation. Although cost accounting methodologies are well developed in production-based industries, their application in service sectors—especially in travel agencies—remains relatively underdeveloped. Travel agencies function in a business environment marked by intense competition, seasonal demand changes, extensive use of digital technologies, and a high share of indirect and non-material costs, which significantly complicates the calculation of service costs.*

This article analyzes the main organizational, methodological, and technological issues associated with product (service) cost accounting in travel agencies. Particular attention is given to the specific characteristics of tourism-related costs, the shortcomings of conventional costing approaches, and the need for more adaptive accounting systems. The study proposes an enhanced cost accounting framework that integrates activity-based costing (ABC), digital accounting tools, and sustainability-related cost indicators. Based on a mixed research methodology, the findings indicate that modern cost accounting practices contribute to improved cost accuracy, more reliable pricing decisions, and stronger managerial control within the tourism sector.

Keywords: *Cost accounting; tourism enterprises; service cost management; activity-based costing; digital accounting systems; tourism finance; overhead costs; cost efficiency.*

INTRODUCTION

In recent years, increasing market uncertainty and competitive pressure have forced enterprises to pay greater attention to cost management and operational efficiency. Under such conditions, cost accounting serves as a key information system that enables managers to assess resource utilization, determine service profitability, and support strategic planning. However, the effectiveness of cost accounting systems differs considerably between industries, with service sectors often facing greater methodological difficulties.

Travel agencies represent a service-oriented business where costs are largely driven by human activities, digital infrastructure, and cooperation with external partners. Unlike manufacturing organizations that deal with standardized physical outputs, travel agencies provide customized service packages that vary according to customer preferences, destinations, and seasonal factors. These features make traditional cost accounting methods less capable of reflecting actual service costs.

Despite the growing importance of accurate cost information, many travel agencies continue to apply simplified costing techniques that overlook indirect and hidden costs. As a result, pricing decisions may be distorted and profitability assessments may be unreliable. This study seeks to examine the main weaknesses of existing cost accounting practices in travel agencies and to develop a more suitable approach that aligns with the economic characteristics of the tourism industry.

Literature Review

The academic literature widely acknowledges that cost accounting in service industries differs fundamentally from cost accounting in manufacturing. Due to the absence of tangible products and the predominance of indirect expenses, traditional allocation methods often fail to provide meaningful cost information. Horngren et al. (2014) and Drury (2018) argue that service organizations require more activity-oriented and flexible costing systems.

Within the tourism sector, researchers identify a number of cost drivers that significantly affect travel agency performance. These include commission-based income models, advertising and promotion expenditures, payments to online booking platforms, fluctuating supplier contracts, and increasing customer service requirements. According to Cooper and Fletcher (2017), these elements contribute to unstable and complex cost behavior, making cost control particularly challenging.

Digital transformation has further altered cost structures in tourism. Buhalis (2020) emphasizes that the expansion of online platforms, automated booking systems, and data analytics has reshaped both service delivery and pricing mechanisms. While digital tools create opportunities for real-time cost tracking and improved efficiency, their integration into accounting systems remains limited in many travel agencies.

In addition, existing studies point to the insufficient consideration of sustainability-related expenses in traditional costing models. Costs associated with environmental responsibility and social compliance are often excluded, resulting in an incomplete evaluation of service profitability.

Methodology

This study is grounded in the author's position that conventional cost accounting frameworks are insufficient for explaining and managing the complex cost structures of service-oriented enterprises, particularly travel agencies. Given the intangible nature of tourism services, the dominance of indirect costs, and the increasing role of digital platforms, a single-method research approach would not adequately capture the multidimensional character of cost accounting practices in this sector. For this reason, the research adopts a mixed-methods design that integrates qualitative inquiry, quantitative modeling, and comparative benchmarking as complementary and mutually reinforcing methodological components.

From a methodological standpoint, the qualitative approach is considered essential for understanding how cost accounting systems function in practice rather than merely how they are described in accounting standards. The study begins with a critical and systematic review of academic literature drawn from leading international databases, including Scopus, Web of Science, and Google Scholar. Rather than summarizing existing studies, the

review adopts an analytical perspective, comparing alternative theoretical approaches to service costing and identifying conceptual limitations in traditional cost accounting models when applied to tourism enterprises. Particular attention is given to activity-based costing (ABC), time-driven ABC, and digital cost accounting frameworks, as these approaches are viewed by the author as more consistent with the activity-driven nature of travel agency operations.

In addition to scholarly sources, the research deliberately incorporates industry reports and policy documents published by international tourism organizations and national tourism authorities. This choice reflects the author's view that cost accounting in tourism cannot be fully understood without considering industry-specific regulatory pressures, market dynamics, and sustainability expectations. The analysis of these documents enables the identification of structural cost patterns, digitalization trends, and emerging sustainability-related obligations that are often overlooked in purely academic discussions.

To bridge the gap between theory and practice, the study includes an in-depth examination of financial statements and internal accounting records of selected travel agencies. This step is based on the author's assumption that actual cost allocation practices often diverge significantly from formally declared accounting policies. By analyzing real financial data, the research reveals inconsistencies in overhead allocation, underestimation of service-related activities, and the limited visibility of hidden costs such as customer service time and digital transaction fees.

Semi-structured interviews constitute a central element of the qualitative methodology. Interviews are conducted with managers and accounting professionals from five medium-sized travel agencies operating in Central Asia. The semi-structured format is intentionally selected to balance comparability across respondents with the flexibility needed to capture firm-specific practices and managerial interpretations. The interview questions are designed not only to document existing costing methods but also to explore managerial reasoning, perceived limitations of current systems, and attitudes toward digital transformation. The author treats these interviews not as anecdotal evidence but as a means of uncovering underlying decision-making logics that shape cost accounting practices.

The quantitative component of the study is guided by the author's hypothesis that digitalization significantly improves cost accuracy in travel agencies, but only when supported by appropriate costing methodologies. To test this hypothesis, a dataset covering 30 travel agencies over the period from 2019 to 2024 is constructed, combining financial and operational indicators. The selected time horizon allows the analysis to capture both pre- and post-digitalization dynamics, including the effects of recent technological adoption.

A multiple regression model is employed to examine the relationship between the level of digitalization and cost accuracy. Digitalization is operationalized through a composite index reflecting the adoption of accounting software, customer relationship management systems, automated booking platforms, and digital payment solutions. Cost accuracy is measured using variance analysis, error rates in overhead allocation, and deviations between planned and actual service costs. In line with the author's analytical

position, control variables such as agency size, service specialization, and seasonal demand fluctuations are included to ensure that the observed effects are not driven by structural differences across firms.

Finally, comparative benchmarking is applied as a strategic analytical tool rather than a purely descriptive exercise. The study compares cost accounting practices of Central Asian travel agencies with those of leading global tourism enterprises. The author views benchmarking as a means of identifying not only best practices but also structural constraints that limit their direct transferability to regional contexts.

Benchmarking dimensions include the use of advanced costing techniques, the degree of digital integration, automation of financial processes, real-time cost monitoring, and the treatment of sustainability-related costs. This comparative perspective supports the development of context-sensitive recommendations rather than generic solutions.

Overall, the methodological design reflects the author's conviction that improving cost accounting in travel agencies requires an integrated analytical perspective that combines theoretical rigor, empirical evidence, and critical reflection on practical constraints. By explicitly aligning methodological choices with the research problem, the study seeks to contribute not only empirical findings but also a coherent analytical framework for future research in tourism cost accounting.

Qualitative Analysis

The qualitative dimension of this research is designed to uncover both theoretical limitations and real-world constraints affecting cost accounting practices in tourism enterprises. The author proceeds from the assumption that many accounting challenges in travel agencies cannot be fully understood through quantitative indicators alone, as they are closely linked to organizational behavior, managerial judgment, and industry-specific practices.

The first stage of qualitative analysis consists of a structured and critical review of academic literature sourced from internationally recognized databases, including Scopus and Web of Science. Rather than providing a descriptive overview, the literature review adopts a comparative analytical approach, focusing on service cost accounting models, financial management in tourism, digital transformation processes, and the applicability of activity-based costing frameworks. This analysis enables the identification of conceptual gaps and methodological inconsistencies in existing research, particularly with respect to service-oriented cost structures.

In order to contextualize academic findings within industry realities, the study further examines analytical reports published by international tourism organizations and national regulatory bodies. These documents are analyzed to identify prevailing cost trends, levels of technological adoption, and evolving sustainability requirements in the tourism sector. The inclusion of policy and industry reports reflects the author's position that cost accounting systems in tourism are increasingly shaped by external institutional and regulatory pressures.

Additionally, the qualitative analysis incorporates a detailed examination of financial statements and internal accounting records from selected travel agencies. This step is based on the premise that formally documented accounting policies often differ from actual cost

allocation practices. The analysis reveals recurring issues such as simplified overhead allocation, limited visibility of service-related activities, and inconsistent treatment of indirect costs.

To complement document-based analysis, semi-structured interviews are conducted with managers of five medium-sized travel agencies operating in Central Asia. These interviews provide insight into managerial perceptions of cost accuracy, practical difficulties in cost tracing, and organizational barriers to digital transformation. The author treats these interviews as a source of analytical evidence, allowing for the identification of recurring behavioral and structural patterns rather than isolated opinions.

Quantitative Analysis

The quantitative component of the research is aimed at empirically assessing the relationship between digitalization and cost accuracy in travel agencies. This analysis is grounded in the author's hypothesis that digital tools contribute to more accurate cost information only when they are integrated into appropriate accounting frameworks.

For this purpose, a panel dataset covering 30 travel agencies over the period from 2019 to 2024 is constructed. The dataset combines financial data with operational indicators, allowing for a multidimensional assessment of cost behavior. The selected time frame captures both gradual digital adoption and periods of market volatility, which are particularly relevant for the tourism sector.

The variables included in the analysis reflect key dimensions of cost accounting performance. These include the structure of service-related costs, overhead allocation ratios, and expenditures associated with digital platforms. In addition, performance indicators such as customer acquisition cost, gross profit margin, and measures of operational efficiency are incorporated to assess the broader managerial implications of cost accuracy.

A multiple regression model is employed to estimate the effect of digitalization on cost accuracy, while controlling for organizational characteristics and seasonal fluctuations. Digitalization is operationalized through indicators reflecting the use of accounting software, booking platforms, and customer management systems. Cost accuracy is assessed using variance measures and deviations between planned and realized service costs. This modeling approach enables the isolation of digitalization effects from other structural influences.

Cost Structure of Travel Agencies

From an economic perspective, travel agencies differ fundamentally from production-oriented enterprises, as they do not generate tangible outputs but instead coordinate and deliver complex service packages. This distinction has significant implications for their cost structure, which is predominantly activity-based and characterized by a high proportion of indirect expenses.

Direct Costs

Direct costs are those that can be clearly attributed to specific tour packages or customer transactions. These include expenditures on transportation, accommodation, catering services, entrance fees, visa processing, insurance coverage, and remuneration for guides or local service providers. The magnitude and composition of direct costs vary

substantially depending on destination, seasonality, and contractual arrangements with suppliers.

Indirect Costs

Indirect costs are incurred to support overall business operations and cannot be directly linked to individual service packages. These costs typically include office rent and utilities, administrative and managerial salaries, marketing expenditures, maintenance of information technology infrastructure, and commissions paid to online intermediaries. In many travel agencies, indirect costs represent a significant share of total expenses, making their accurate allocation a critical managerial challenge.

Overlooked Costs

A notable finding of the study is the systematic underestimation of certain cost elements in traditional accounting systems. These include the time devoted to customer consultations and itinerary customization, costs associated with cancellations and refunds, fees related to digital payment processing, and expenditures required to comply with sustainability standards. Excluding these costs from accounting calculations often leads to underpricing and distorted assessments of service profitability.

Discussion and Conclusion

The findings of this research indicate that conventional cost accounting systems are poorly aligned with the operational realities of travel agencies. The service-based nature of tourism, combined with increasing digitalization and demand volatility, requires accounting approaches that are more flexible and activity-oriented than traditional models.

The analysis demonstrates that the implementation of activity-based costing, supported by digital accounting systems and real-time monitoring tools, substantially improves cost transparency and the quality of managerial decision-making. Furthermore, incorporating sustainability-related costs into accounting frameworks provides a more comprehensive understanding of service profitability and long-term viability. Nevertheless, the study identifies persistent barriers to implementation, including limited professional expertise, organizational resistance to change, and insufficient investment in digital infrastructure.

In conclusion, the improvement of product cost accounting in travel agencies represents a critical prerequisite for enhancing competitiveness and ensuring sustainable development. As the tourism industry continues to evolve toward more digital and customer-oriented models, travel agencies must adopt accounting practices that accurately reflect the economic substance of their services rather than relying on simplified or outdated costing approaches.

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