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INTEGRATION MODEL OF ABC AND TC IN THE MANAGEMENT ACCOUNTING SYSTEM: THE EXPERIENCE OF UZBEKISTAN

Abstract: The article examines a model for integrating Activity-Based Costing (ABC) and Target Costing (TC) within the management accounting system. Particular attention is given to the experience of Uzbekistan, where elements of ABC and TC are gradually being introduced in leading industrial, service, and telecommunications enterprises as part of internal management accounting systems and automated ERP solutions. The article emphasizes that the adaptation of international experience to Uzbek conditions is evolving gradually, reflecting the specific features of the national economy and industry.

Keywords: ABC–TC integration, management accounting, Activity-Based Costing, Target Costing, Uzbekistan, cost optimization, competitiveness.

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МОДЕЛЬ ИНТЕГРАЦИИ АВС И ТС В СИСТЕМЕ УПРАВЛЕНЧЕСКОГО УЧЁТА: ОПЫТ УЗБЕКИСТАНА

Аннотация: В статье рассматривается модель интеграции калькулирования по видам деятельности (Activity-Based Costing, АВС) и

целевого калькулирования (Target Costing, TC) в системе управленческого учёта. Особое внимание уделено опыту Узбекистана, где элементы ABC и TC постепенно внедряются в ведущих промышленных, сервисных и телекоммуникационных предприятиях в рамках внутренних систем управленческого учета и автоматизированных ERP-решений. Статья подчеркивает, что адаптация международного опыта к узбекским условиям развивается эволюционно, отражая специфику национальной экономики и промышленности.

Ключевые слова: интеграция ABC и TC, управленческий учет, калькулирование по видам деятельности, целевое калькулирование, Узбекистан, оптимизация затрат, конкурентоспособность.

Introduction

The contemporary national and global business environment is characterized by rapid structural transformations, intensified competition, increasing complexity of production processes, accelerated digitalization, and growing consumer demands for product quality. Under these conditions, the improvement of cost management mechanisms becomes a critical factor in ensuring the sustainable development and competitiveness of economic entities.

The management accounting system is undergoing significant transformation, shifting from traditional costing methods toward modern concepts focused on strategic cost management and long-term value creation. Among the most widely discussed and practically applied approaches are Activity-Based Costing (ABC) and Target Costing (TC).

Activity-Based Costing provides a more accurate allocation of indirect costs through the identification of cause-and-effect relationships between resources and activities. Target Costing, in turn, emphasizes cost control at the product design and development stage, proceeding from the market-determined price and the required target profit. The conceptual complementarity of these methods creates

preconditions for their integrated application within the management accounting framework. In the context of the Republic of Uzbekistan, where large-scale economic reforms are being implemented to promote industrial development, support entrepreneurship, and enhance export capacity, the adoption of advanced management accounting tools acquires particular significance. The integration of ABC and TC is regarded as a promising approach to strengthening the competitiveness and financial sustainability of domestic enterprises.

Basic Concepts of the ABC System

Several definitions of the Activity-Based Costing (ABC) system can be found in academic literature. According to the approach developed by Charles T. Horngren, the Activity-Based Costing system involves the accumulation of indirect costs by activities, followed by their allocation to products and services whose creation requires the performance of the corresponding operations.

According to Cohen, the Activity-Based Costing method represents a cost accounting system in which all activities involved in the production process are assessed in terms of resource consumption. Cost allocation is carried out in two stages: first, resources are accumulated by activities depending on the degree of their utilization; second, activity costs are assigned to products or services in proportion to their involvement in the respective operations.

According to Moore and co-authors, Activity-Based Costing is considered a managerial accounting method that provides a more accurate determination of product cost compared to traditional costing systems. Its key feature is the identification of cause-and-effect relationships between resource consumption, performed activities, and cost objects, which enables more appropriate cost allocation and a more reliable analysis of product or service profitability [1].

Based on the above definitions, it can be concluded that Activity-Based Costing represents a system for determining the cost of all activities involved in the production process through the accumulation of indirect costs by activities and

their subsequent allocation to products or services on the basis of identified cause-and-effect relationships between resources, activities, and cost objects.

Particular attention is given to the applicability of an integrated approach within the economy of the Republic of Uzbekistan, where ongoing economic reforms emphasize the modernization of management accounting systems, the enhancement of enterprise competitiveness, and the adoption of international management standards.

Research problem

Based on the foregoing, the main research problem can be formulated as follows:

How can effective integration between Activity-Based Costing (ABC) and Target Costing (TC) be achieved within an economic organization?

To address this problem, the study considers the following research questions:
How is the Activity-Based Costing (ABC) system designed and implemented?

What are the main stages in the design of a Target Costing (TC) system?

Can the ABC system serve as an informational and methodological foundation to support the TC system?

How feasible is the implementation of an integrated ABC–TC system in the context of the economy of the Republic of Uzbekistan?

Significance of the study

The significance of this study is determined by the importance of Activity-Based Costing (ABC) and Target Costing (TC) as modern tools for cost management. Despite the widespread application of these approaches in international practice, their integration remains insufficiently explored in several developing economies, including countries in Central Asia.

For the Republic of Uzbekistan, this topic is particularly relevant in the context of:

- reforming the accounting and management accounting systems;
- improving the efficiency of industrial enterprises;

- implementing international financial reporting and managerial control standards;

- strengthening the focus on market-based pricing mechanisms.

The scientific significance of the study lies in the systematization of theoretical approaches to the integration of ABC and TC and in expanding the understanding of their potential for joint application.

Activity-based costing (ABC) system

Concept and Essence of the ABC System Activity-Based Costing (ABC) is a modern managerial accounting method aimed at achieving more accurate allocation of indirect costs. Unlike traditional costing systems, ABC focuses not on products but on the activities that consume resources.

Charles T. Horngren defines ABC as a system that accumulates indirect costs by each type of activity and subsequently allocates them to products or services based on the extent to which these activities are utilized. Cohen emphasizes the two-stage nature of cost allocation, in which resources are first assigned to activities and then to cost objects [2].

Thus, ABC provides a deeper understanding of the cost structure and allows the identification of inefficient activities that do not create added value.

Stages of ABC Implementation

The implementation of the ABC system involves the following stages:

Identification of key activities;

Determination of costs associated with each activity;

Selection of cost drivers;

Allocation of costs to cost objects;

Analysis of the obtained results.

For enterprises in the Republic of Uzbekistan

Target costing (TC) system

Target Costing (TC) focuses on cost management at the product design stage. The starting point is the market price, from which the target profit is subtracted to determine the allowable cost level.

In the context of the Republic of Uzbekistan, TC can be particularly effective for export-oriented enterprises, where pricing is determined by international market conditions.

Integration of ABC and TC

The integration of ABC and TC involves the use of detailed activity-based cost information to achieve target cost levels. ABC provides accurate data on cost structures, while TC sets a strategic direction for cost reduction.

The combined application of these systems allows organizations to:

- identify sources of target cost overruns;
- optimize business processes;
- enhance product competitiveness.

For Uzbek enterprises, the integration of ABC–TC may serve as an effective tool amid the transition to an innovation-driven economy and increasing market competition.

In Uzbekistan, managerial accounting methods such as Activity-Based Costing (ABC) and Target Costing (TC) are not officially mandated at the state level and do not have a legally defined implementation date. Nevertheless, elements of these methods have gradually been adopted through the practices of individual companies, academic training, and research activities, especially since the early 2010s, with professional discussions intensifying in recent years.

Materials and Methods

Situation in Uzbekistan

Activity-Based Costing (ABC)

Academic publications and research indicate a practical interest in ABC in the Republic of Uzbekistan. For example, a study on the application of ABC in the

tourism sector was published as early as 2011, analyzing the potential for implementing the method in Uzbek tourism companies.

ABC is being considered and applied in specific industries, such as telecommunications, where companies adapt managerial accounting systems using elements of ABC to analyze overhead costs and project-based revenues. A notable example is Uzbektelecom, which has applied ABC-related approaches as part of its internal management accounting practices since 2021.

An analysis of educational, methodological, and research sources based on Uzbektelecom activities shows that in 2021 the company implemented certain management accounting elements consistent with ABC principles. Specifically, more detailed cost drivers and approaches to allocating indirect costs across business processes and services were used. It should be noted that these approaches were applied within the internal management accounting system and were not formalized as an official ABC model, yet economically they correspond to the key conceptual provisions of the method.

Practical interest in ABC in Uzbekistan is further confirmed by studies of its application in the tourism sector (Eshtaev, 2011). Uzbektelecom, one of the largest telecommunications operators in Uzbekistan, continues to develop its managerial and financial accounting systems, with publicly available information reflected in company reports and descriptions (“Uzbektelecom”, 2026).

Conclusion on ABC: The method is known, applied by individual companies, and studied within the academic environment in Uzbekistan as a managerial accounting practice. However, there is no formal state-level implementation date, and its use is determined by the decisions of individual organizations.

Target Costing (TC)

In professional publications and research in the Republic of Uzbekistan, Target Costing (TC) is mentioned far less frequently than Activity-Based Costing (ABC). TC is usually considered within managerial accounting theory and often in combination with other methodologies. However, there is no documented practice

of implementing TC at the level of Uzbek companies or industries in publicly available sources.

Conclusion on Target Costing: TC is a recognized concept in the theory of managerial accounting in Uzbekistan, but its practical application is not widespread.

In Uzbekistan, managerial accounting is not regulated as strictly as financial or tax accounting. Companies select methods independently based on managerial needs. Modern accounting concepts (ABC, TC, Balanced Scorecard, etc.) are typically implemented within specific organizations or as part of automation projects (for example, through ERP systems), rather than being mandated by national standards. Integration of Activity-Based Costing (ABC) and Target Costing (TC) in Uzbekistan

In the Republic of Uzbekistan, managerial accounting methods such as Activity-Based Costing (ABC) and Target Costing (TC) are not legally required. Current legislation does not establish direct requirements or official implementation deadlines for these methods, as managerial accounting is largely advisory and determined by the internal needs of economic entities.

At the same time, an analysis of scientific publications and educational-methodological materials shows that interest in modern cost management methods, including Activity-Based Costing (ABC), began to emerge in the Republic of Uzbekistan in the early 2010s. This method is discussed in research studies and incorporated into the curricula of economic universities as an effective tool for more accurate allocation of indirect costs and for improving the justification of managerial decisions. In certain organizations—particularly in the service sector, telecommunications, and large corporate structures—elements of Activity-Based Costing are applied within internal management accounting systems and automated ERP solutions.

Regarding Target Costing (TC), this approach is primarily represented in theoretical studies related to strategic cost management and pricing. The practical

implementation of TC across Uzbek enterprises is limited in publicly available sources. In most cases, TC is regarded as a promising tool for planning product costs at the design stage, but its application is fragmented and depends on the level of development of a specific organization's managerial accounting system.

The integration of ABC and Target Costing in Uzbek practice does not have a formal implementation history; however, it is conceptually considered appropriate in scientific research. The use of activity-based costing allows for more precise determination of target costs, which contributes to more effective cost control and enhances product competitiveness [4].

Thus, it can be concluded that the integration of ABC and Target Costing in Uzbekistan has developed gradually, mainly within the framework of academic research and the practices of individual enterprises since the 2010s, without the establishment of a unified implementation date or mandatory state-level requirements.

Advantages of Integrating Activity-Based Costing (ABC) and Target Costing (TC)

The integration of Activity-Based Costing and Target Costing enables the development of a more justified and flexible cost management system. The use of ABC provides detailed allocation of indirect costs based on actual activities and cost drivers, which enhances the accuracy of product and service cost calculations. In turn, Target Costing directs the enterprise toward achieving target cost levels at the planning and design stage, based on the market price and the required profit margin. The combined application of these methods facilitates the alignment of strategic and operational decisions in cost management [5].

An additional advantage of integrating ABC and Target Costing is the increased transparency of the cost structure and strengthened control over resources throughout the product life cycle. Information obtained through ABC can be used to determine target costs more accurately for individual processes and functions, thereby reducing the risk of exceeding planned production costs. Thus,

the integration of these approaches contributes to enhancing product competitiveness, optimizing business processes, and supporting well-grounded managerial decision-making under conditions of resource constraints.

Industry-Specific Features of Integrating ABC and Target Costing in the Economy of Uzbekistan

In the industrial sector of the Republic of Uzbekistan, the integration of Activity-Based Costing (ABC) and Target Costing (TC) is particularly relevant for manufacturing industries characterized by a high share of overhead costs and complex technological production structures. The application of ABC allows for more precise allocation of plant-wide and production-wide costs among different product types, while Target Costing enables the establishment of target cost indicators taking into account market conditions and the export orientation of enterprises. This is crucial for improving industrial efficiency and reducing the cost of competitive products.

In the service sector—including transportation, telecommunications, tourism, banking, and consulting—the integration of ABC and Target Costing facilitates a more accurate assessment of the costs of individual services and customer segments. ABC helps identify the most resource-intensive activities, while Target Costing guides organizations in setting competitive tariffs while maintaining the required profitability levels. In the context of the growing service economy in Uzbekistan, these tools can be used to optimize business processes and enhance service quality [6].

In the construction sector, the integration of ABC and Target Costing is appropriate within project-based cost management. ABC allows for the detailed breakdown of expenses by construction stages and types of work, whereas Target Costing establishes allowable cost levels at the design and budgeting stage. This is particularly important amid increasing investment activity and the implementation of infrastructure projects, where cost control directly affects the financial stability of construction organizations.

Conclusion

The results of this study indicate that the integration of Activity-Based Costing (ABC) and Target Costing (TC) constitutes an effective tool for strategic cost management. The use of ABC as an informational foundation for TC enables economic organizations to achieve target cost levels without compromising product quality.

In the context of the Republic of Uzbekistan, the implementation of an integrated ABC–TC system can contribute to improving enterprise efficiency, enhancing managerial decision-making, and strengthening positions in both domestic and international markets.

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