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Article

Contemporary Issues in Cost Accounting for Private Medical Organizations

Primkulova Zilola Abrorovna*[1]

1. Scientific applicant, Samarkand Institute of Service and Economics
*Correspondence: primkulovazilola06@gmail.com

Abstract: This article examines the accounting treatment of costs incurred by private medical organizations, the conceptual characteristics of costs as an object of accounting, and the distinctive features of cost accounting practices within the private healthcare sector. Particular attention is given to the composition of costs associated with the provision of medical services, with an emphasis on the determination and accounting of service costs in private medical organizations. The study also explores key directions for improving cost accounting methodologies to enhance the quality and transparency of financial information in private healthcare institutions. Furthermore, based on a comprehensive analysis of the economic nature and specific characteristics of costs in private medical organizations, the author proposes an original definition of costs that reflects the operational and accounting-specific features of the private healthcare sector.

Keywords: private medical organizations, cost accounting, characteristics of costs, cost classification, cost of medical service provision.

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1. Introduction

Effective cost management and the proper organization of cost accounting and financial reporting in private medical organizations have become increasingly important in the context of the ongoing development of Uzbekistan's private healthcare sector. As private healthcare providers expand their role in delivering medical services, ensuring the reliability, transparency, and accuracy of cost accounting has emerged as a key prerequisite for sound financial management, informed managerial decision-making, and compliance with regulatory requirements. In this regard, the joint Resolution of the Ministry of Economy and Finance of the Republic of Uzbekistan and the Ministry of Health of the Republic of Uzbekistan,[1] adopted on 13 February 2026, "*On Amendments to Paragraph 9 of the Procedure for Financing Healthcare Institutions Providing Paid Medical Services,* " establishes requirements for the preparation of cost estimates associated with the provision of paid medical services to the population. These regulatory provisions serve as an essential legal framework for organizing the financial and operational activities of healthcare institutions, including private medical organizations. They also provide the basis for controlling operating costs, ensuring their proper recognition in accounting records, and improving the reliability and transparency of financial reporting.[2] The implementation of these regulatory requirements contributes to strengthening financial discipline, enhancing cost control mechanisms, and promoting more efficient management of financial resources within private medical organizations. Consequently, the improvement of cost accounting methodologies in the private healthcare sector represents an important scientific and practical issue, requiring the development of accounting approaches that adequately reflect the specific economic characteristics of medical service provision while meeting modern financial reporting standards.[3]

The issues of cost accounting have been extensively examined by both international and Uzbek scholars, resulting in a substantial body of theoretical and methodological research. Existing studies have contributed significantly to the development of accounting concepts related to the recognition, measurement, classification, and management of costs across various sectors of the economy. Among international scholars, M.A. Vakhrushina has made a notable contribution to the theory and practice of cost accounting by developing methodological recommendations concerning the recognition and accounting treatment of costs. In her research, she defines costs as *"the expenditures incurred by an entity in the process of acquiring any material assets or services."* This definition reflects the general economic nature of costs and emphasizes their role as an essential element of accounting that arises from the consumption of economic resources in the course of business activities. Another prominent scholar,[4] Colin Drury, considers costs from the perspective of managerial accounting. According to Drury, *"cost is the amount of resources consumed by a particular activity."* This interpretation emphasizes that costs should be identified, measured, and recognized in relation to specific business activities, thereby providing a basis for effective cost control, performance evaluation, and managerial decision-making. Drury's approach highlights the importance of activity-based cost recognition and reinforces the role of cost information in supporting efficient organizational management. Among Uzbek scholars, B.A. Hasanov offers a widely recognized definition of costs, describing them as *"the monetary expression of expenditures incurred in the production of goods, the sale of merchandise, the performance of work, and the provision of services.[5] "* This definition extends the concept of costs beyond the manufacturing sector to include trade and service activities, emphasizing that costs are incurred and measured in monetary terms regardless of the nature of an entity's operations. Such an approach reflects the universal applicability of cost accounting principles across different sectors of the economy, including healthcare services. Another Uzbek scholar, B.F. Boronov, focuses primarily on manufacturing enterprises, defining production costs as *"the expenditures incurred within the primary production departments that constitute the cost of each product manufactured."* This interpretation concentrates on product cost formation within industrial enterprises, where production costs are directly associated with the manufacturing process. However, from the perspective of modern accounting theory, costs are not limited to production activities alone. They also represent a fundamental component of organizations engaged in service provision, including private medical organizations, where the cost of medical services is formed through the consumption of labor, medical supplies, pharmaceuticals, equipment depreciation, and other operating resources. Consequently, the theoretical approaches to cost accounting developed for manufacturing enterprises require adaptation to reflect the distinctive economic and operational characteristics of the healthcare sector.[6]

2. Research Methodology

This study is based on the scientific and theoretical foundations of cost accounting in private medical organizations. To achieve the research objectives, a combination of generally accepted scientific research methods was employed, including scientific abstraction, economic analysis, monographic observation, comparative analysis, induction, and deduction. The application of these methods made it possible to examine the theoretical and methodological aspects of cost accounting, identify the distinctive characteristics of costs incurred by private medical organizations, evaluate existing accounting practices, and formulate proposals for improving the accounting framework for costs within the private healthcare sector. The integrated use of these research methods ensured the reliability of the findings and facilitated the development of scientifically grounded conclusions and practical recommendations.[7]

3. Result and Discussion

According to the data of the National Statistics Committee of the Republic of Uzbekistan, the volume of healthcare services provided during January–May 2026 increased by 14.7% compared with the corresponding period of the previous year, reaching a total value of UZS 9.1 trillion. This growth reflects the continuing expansion of the healthcare sector and the increasing demand for medical services, particularly those delivered by private healthcare providers. Of the total volume of healthcare services rendered during the reporting period, 20.0% accounted for medical services provided by hospitals, while 16.8% represented services related to medical practice and dentistry.[8] The remaining 63.2% consisted of services delivered by other segments of the healthcare sector, demonstrating the diversified structure of healthcare service provision in Uzbekistan. These statistics indicate that specialized medical institutions and outpatient healthcare providers make a substantial contribution to the overall development of the national healthcare system. The regional distribution of healthcare service volumes, based on official data published by the National Statistics Committee of the Republic of Uzbekistan, is presented in Figure 1. The analysis of these regional indicators provides valuable insights into the territorial distribution of healthcare services and enables the identification of regional disparities in the development of medical infrastructure and service delivery. Such information is particularly important for assessing the operating environment of private medical organizations and evaluating the factors influencing their cost structure and accounting practices.[9]

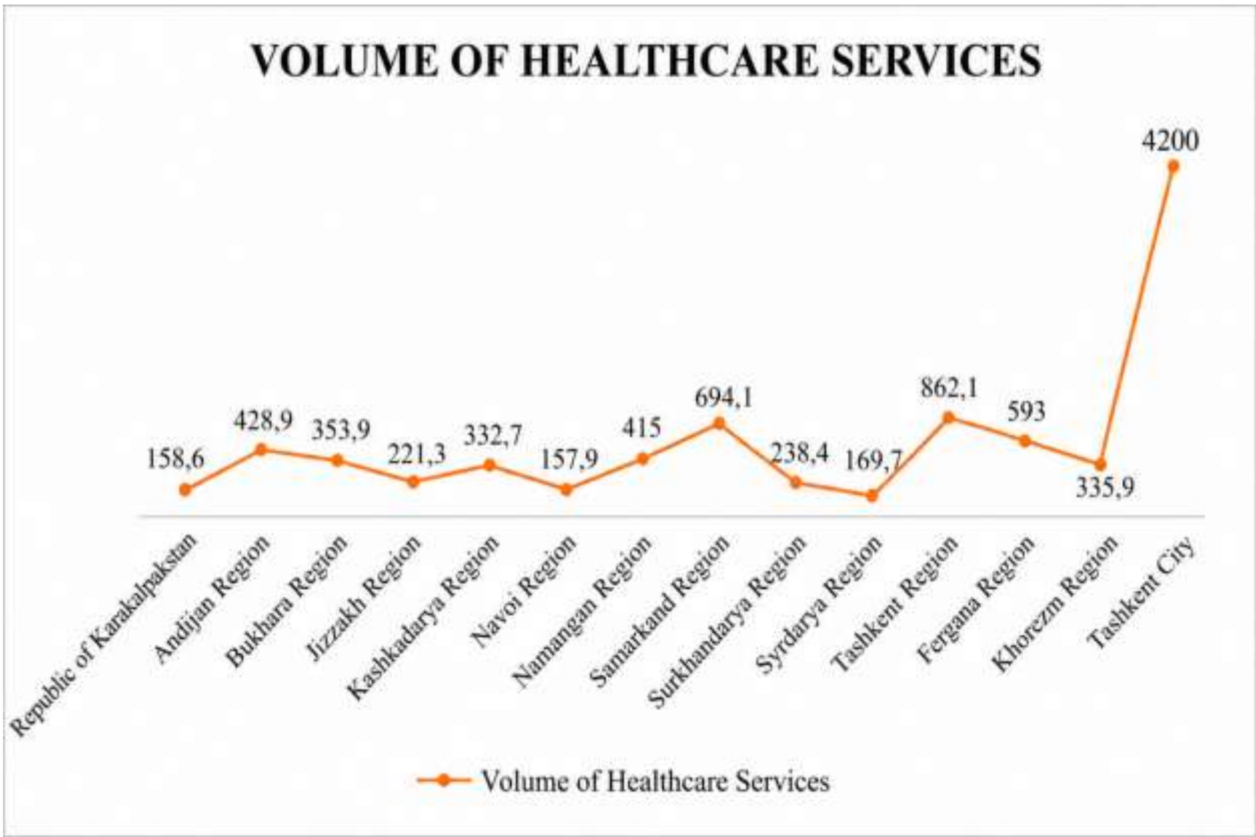

Figure 1. Regional Distribution of Healthcare Service Volume in the Republic of Uzbekistan, January–May 2026[10].

Analysis and Discussion of Results. As illustrated in Figure 1, the volume of healthcare services varies considerably across the regions of the Republic of

Uzbekistan. Tashkent City accounts for approximately 46% of the total healthcare services provided nationwide, representing nearly half of the country's overall service volume. This significant concentration can largely be attributed to the comparatively higher quality and greater diversity of medical services available in the capital. In addition, Tashkent City has the largest population and serves as the country's principal healthcare hub, attracting patients not only from surrounding regions but also from across Uzbekistan, thereby substantially increasing the demand for medical services. It should also be noted that relatively high volumes of healthcare services were recorded in the Tashkent Region, Fergana Region, and Samarkand Region,[11] reflecting the comparatively advanced development of healthcare infrastructure and the greater availability of specialized medical institutions in these areas. The findings of this analysis indicate that further efforts are required to promote balanced regional development of the healthcare sector throughout Uzbekistan. In particular, it is essential to optimize the operations of medical organizations, expand the range of medical services provided, improve service quality, and strengthen healthcare infrastructure in regions where service provision remains comparatively limited. Such measures would contribute to enhancing the accessibility and efficiency of healthcare services while supporting the sustainable development of both public and private healthcare providers. As part of this study, particular attention was given to examining the composition of costs incurred by private medical organizations. To facilitate this analysis, the classification of these costs is summarized in Table 1, which presents the principal categories of expenditures associated with the provision of medical services in private healthcare organizations. [12]

Table 1. Cost Structure of “Toshkent Tibbiy Diagnostika” Joint Venture LLC for 2021–2025.

№	Performance Indicators	2021 y.	2022 y.	2023 y.	2024 y.	2025 y.
1.	**Cost of Medical Service Provision**	12 473 855	18 364 858	19 034 590	30 341 147	27 381 512
2.	**Operating Expenses**	864 645	2 371 520	1 722 473	7 918 536	13 506 816
3.	**Financial Expenses**	664 095	2 732 171	3 248 992	602 975	1 315 654
4.	**Total Expenses**	14 002 594	23 468 549	24 006 055	38 862 658	42 203 982

The data presented in Table 1 indicate that the cost structure of “Toshkent Tibbiy Diagnostika” Joint Venture LLC exhibits several distinctive characteristics. Specifically:

Firstly, the cost structure of the private medical organization consists of three major categories: the cost of providing medical services, period costs, and finance costs. Notably, the organization does not report income tax expense as part of its cost structure. This is attributable to the tax incentives granted by the Government to private healthcare providers, which exempt eligible organizations from certain tax obligations. These preferential tax policies represent one of the distinctive financial and operational characteristics of private medical organizations[13] in Uzbekistan. Secondly, the analysis of the cost structure demonstrates that the cost of providing medical services constitutes the largest component of total costs incurred by the private medical organization. Specifically, this cost category accounted for 89% of total costs in 2021, while its share declined to 65% in 2025. Despite this decrease in relative proportion, it remained the dominant element of the organization's overall expenditure. These findings indicate that the accounting and measurement of the cost of medical service provision play a pivotal role in the accounting system of private medical organizations and represent a key source of information for financial reporting, cost management, and managerial decision-making. Thirdly, period costs and finance costs also constitute significant components of the total expenditure of the private medical organization, although their proportions varied throughout the study period. The analysis of the selected case organization revealed that period costs were primarily composed of administrative expenses, whereas finance costs mainly arose from interest expenses on bank loans and foreign exchange losses resulting from unfavorable exchange rate fluctuations.[14] These findings demonstrate that private medical organizations possess distinctive operational and financial characteristics, making the organization of an effective cost accounting system one of the key priorities of financial management. The accurate recognition, classification, and reporting of costs are essential for ensuring transparency, improving managerial decision-making, and enhancing the overall efficiency of healthcare service provision. Furthermore, the theoretical studies conducted by the scholars reviewed in this research have made valuable contributions to the development of cost accounting theory. Nevertheless, the definitions and conceptual approaches proposed in previous studies do not fully reflect the specific nature of costs incurred within the service sector, particularly in rapidly developing private healthcare organizations. Therefore, a more comprehensive examination of the characteristics of costs in private medical organizations is both scientifically justified and practically necessary. Conclusion Based on the analysis of accounting practices in private medical organizations, the following conclusions have been drawn. The analysis of healthcare service statistics demonstrated the rapid development of the healthcare sector in the Republic of Uzbekistan. An examination of regional healthcare service volumes revealed that, although the scale of healthcare services differs across regions, the overall volume of healthcare services has shown a consistent upward trend throughout the country. This indicates the growing importance of both public and private healthcare providers in meeting the increasing demand for medical services. The findings also suggest that existing definitions of costs do not fully capture the economic substance and operational characteristics of private medical organizations. Consequently, there is a need to develop a more comprehensive conceptual definition that reflects the specific features of cost formation in the private healthcare sector. In response to this research objective, the following authorial definition is proposed: Costs in private medical organizations are defined as the direct and indirect costs incurred in the provision of medical services, together with other expenses arising from the organization's core operating activities and costs associated with its financing activities. Unlike existing definitions, the proposed concept explicitly identifies the principal categories of costs incurred by private medical organizations and reflects the specific characteristics of healthcare service delivery. Accordingly, this definition provides a more comprehensive theoretical basis for the recognition, classification, and accounting of costs in private medical organizations. The proposed approach may contribute to improving both the theoretical framework and the practical organization of cost accounting in the private healthcare sector, thereby enhancing the quality of financial information and supporting more effective managerial decision-making.[15]

4. Conclusion

The study of contemporary issues in cost accounting for private medical organizations demonstrates that the effectiveness of financial management in healthcare institutions largely depends on the accuracy, transparency, and adaptability of cost accounting systems. In the context of rapidly evolving healthcare markets, increasing competition, and the growing role of private sector providers, cost accounting is no longer limited to basic expense tracking but has become a strategic tool for decision-making, performance evaluation, and sustainable development.

The analysis shows that private medical organizations face a number of specific challenges related to cost accounting. These include the complexity of medical services, the diversity of cost structures, the difficulty of allocating indirect and overhead costs, and the need to account for both clinical and administrative activities. Additionally, the coexistence of paid services, insurance-based payments, and government-regulated tariffs complicates the formation of accurate cost information. As a result, traditional accounting approaches often fail to provide sufficient analytical depth for effective management.

The research highlights the importance of implementing modern cost accounting methods such as activity-based costing (ABC), process costing, and responsibility accounting. These approaches allow for a more precise allocation of costs to specific services, departments, and patients, thereby improving the reliability of financial data. Furthermore, the integration of digital technologies and automated information systems significantly enhances the efficiency of data collection, processing, and reporting, reducing the risk of errors and increasing the timeliness of managerial decisions.

Another key finding is the necessity of aligning cost accounting practices with international standards while considering national regulatory frameworks. In countries like Uzbekistan, where healthcare reforms are actively underway, there is a growing need to harmonize accounting methodologies with global best practices. This ensures comparability, transparency, and accountability, which are essential for attracting investment and building trust among stakeholders.

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