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THE PROCEDURE FOR DETERMINING THE PRICES OF CONSTRUCTION AND ASSEMBLY WORKS AND ITS ECONOMIC IMPORTANCE

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ABSTRACT

This article provides the procedure for determining direct, overhead, maintenance costs and the procedure for drawing up object, local and consolidated estimates. A study of the peculiarities of formation of the cost of construction work was carried out. Construction work is one of the main indicators of the activity of a construction organization.

KEYWORDS

The cost of construction and installation work, the procedure for creating estimates, site and local estimates, the composition of construction work.

INTRODUCTION

In the conditions of the market economy, the prices of construction works are created depending on the prices of construction materials and other resources at all stages of the investment project. Construction production is characterized by the creation of various

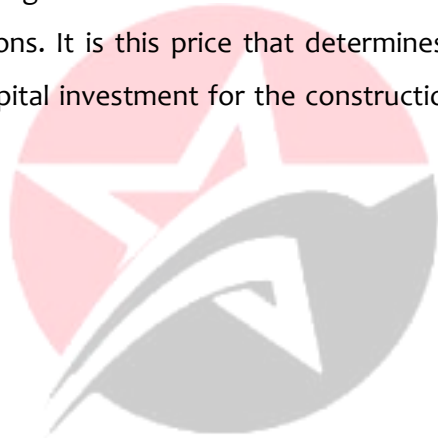
types of construction products, the implementation of construction in various geological and hydrogeological conditions, and the dynamics of construction processes at a high level. Therefore, it is necessary to prepare a separate estimate for each construction

object. These estimates are made taking into account the project of construction works, the prices at the time of the estimate, and the technical solutions of the building construction project, as well as the conditions for the implementation of construction and assembly works. When drawing up an estimate of a construction building, the calculation of the works carried out during the construction of the building is taken as a basis.

Estimated cost is the amount of money spent on creating buildings and structures in accordance with project solutions. It is this price that determines the amount of capital investment for the construction of

construction buildings, subsidies for urban development and construction works, conclusion of contracts on the prices of construction materials (constructions), payment for completed contract works (construction-assembly, repair, etc.), purchase of technological equipment and serves as a basis for its delivery to the construction site and other expenses. The estimated cost of construction and assembly works according to the estimate (the basic estimated cost of construction materials) consists of direct costs (DC) and overhead costs (OC) and estimated profit (EP) according to the estimate:

$$E_{b.e.c.c.m.} = DC + OC + EP (1)$$



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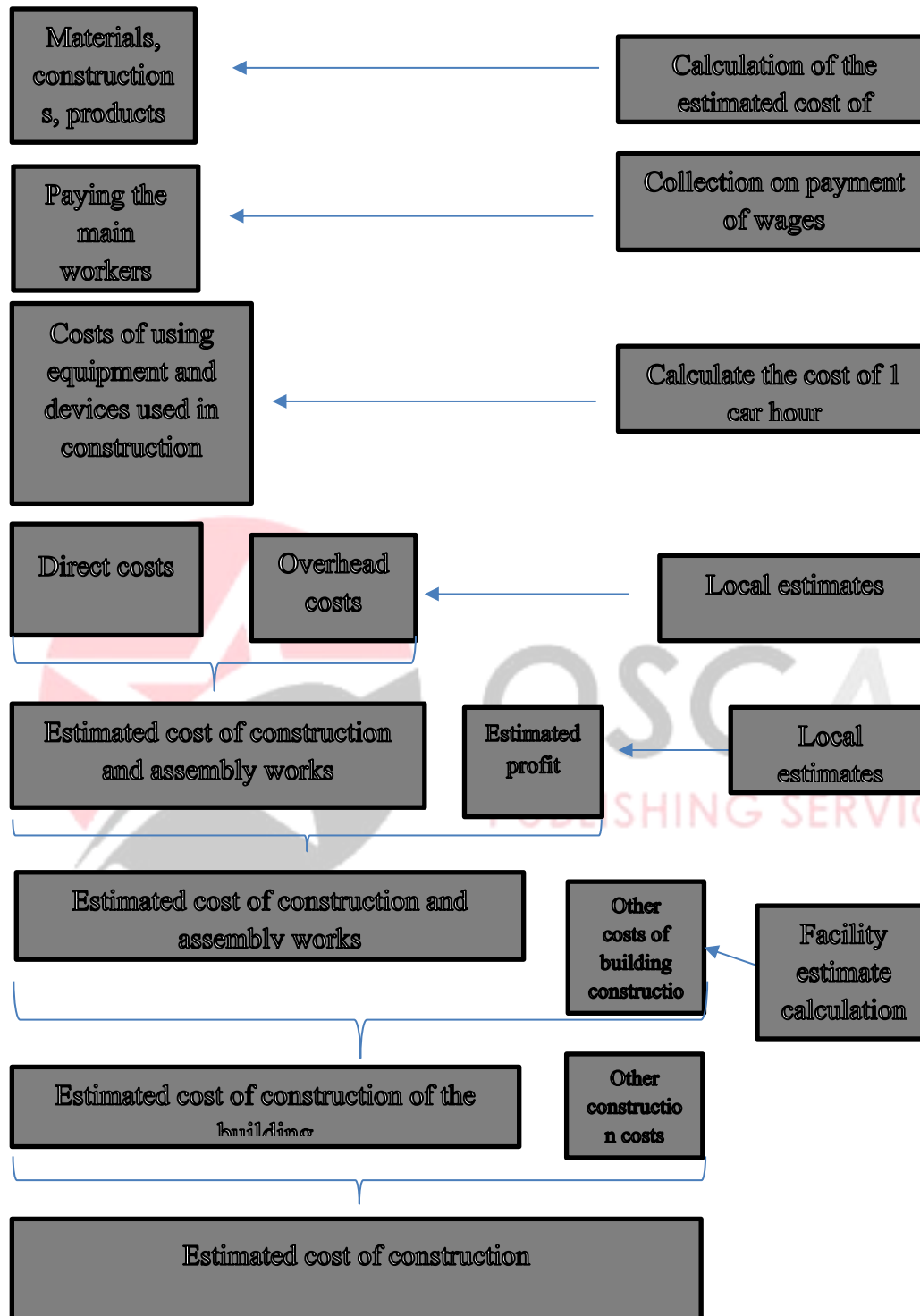


Figure 1. The procedure for forming the construction estimate price.

When creating an estimate, various costs are taken into account, as well as individual taxes, including value added tax. The procedure for forming the construction estimate price is illustrated in Figure 1.

Local estimates are created to determine the estimated cost of construction and assembly works. Object estimates are formed based on local estimate calculations. In the same way, the building estimate calculation and the aggregated prices of construction materials are also determined.

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estimates are formed. In the same way, the building estimate calculation and aggregated prices of building materials are also determined.

Local estimates belong to the category of primary estimate documents, these estimates are created by calculating the exact types, volumes and costs of the work to be performed on the basis of the working project documents. [1]

Direct costs are the costs arising from the sum of local estimates. These costs are directly related to the execution of certain construction and assembly works (Figure 3).

Hence, direct costs are found using the following formula:

$$DC = M + C_w + E_t \quad (2)$$

DC – direct costs;

M –cost of building material constructions and items;

C_w – wage costs of workers employed in construction;

E_t – the cost of using equipment in construction.

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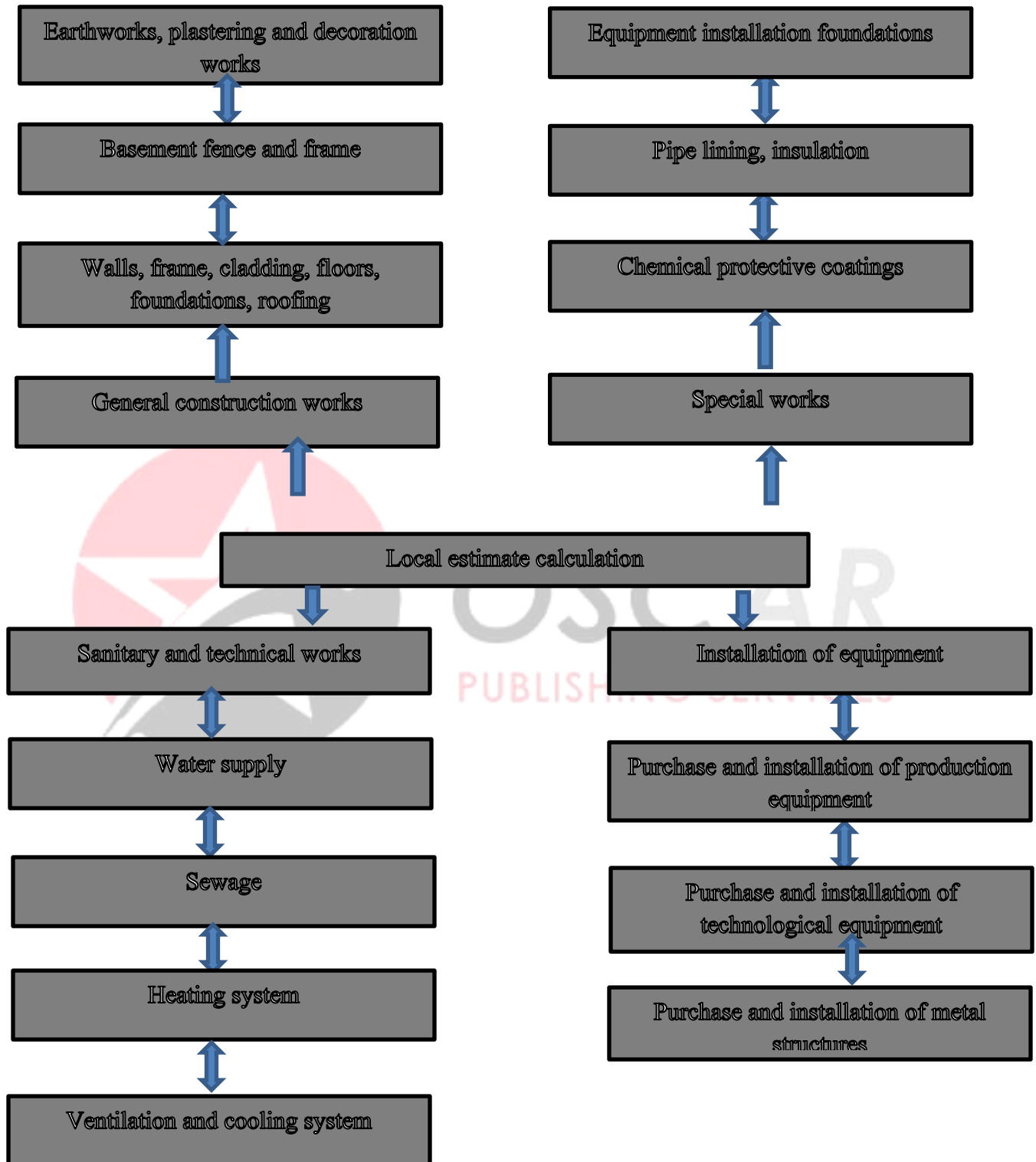


Figure 2. Composition of local estimate accounts.

In order to create local estimates, additional calculations are made in the course of construction work when the volume of work and the costs of their implementation, specific features of building construction, and the methodology of performing these works are unclear, and adaptive measures are used (Figure 2).

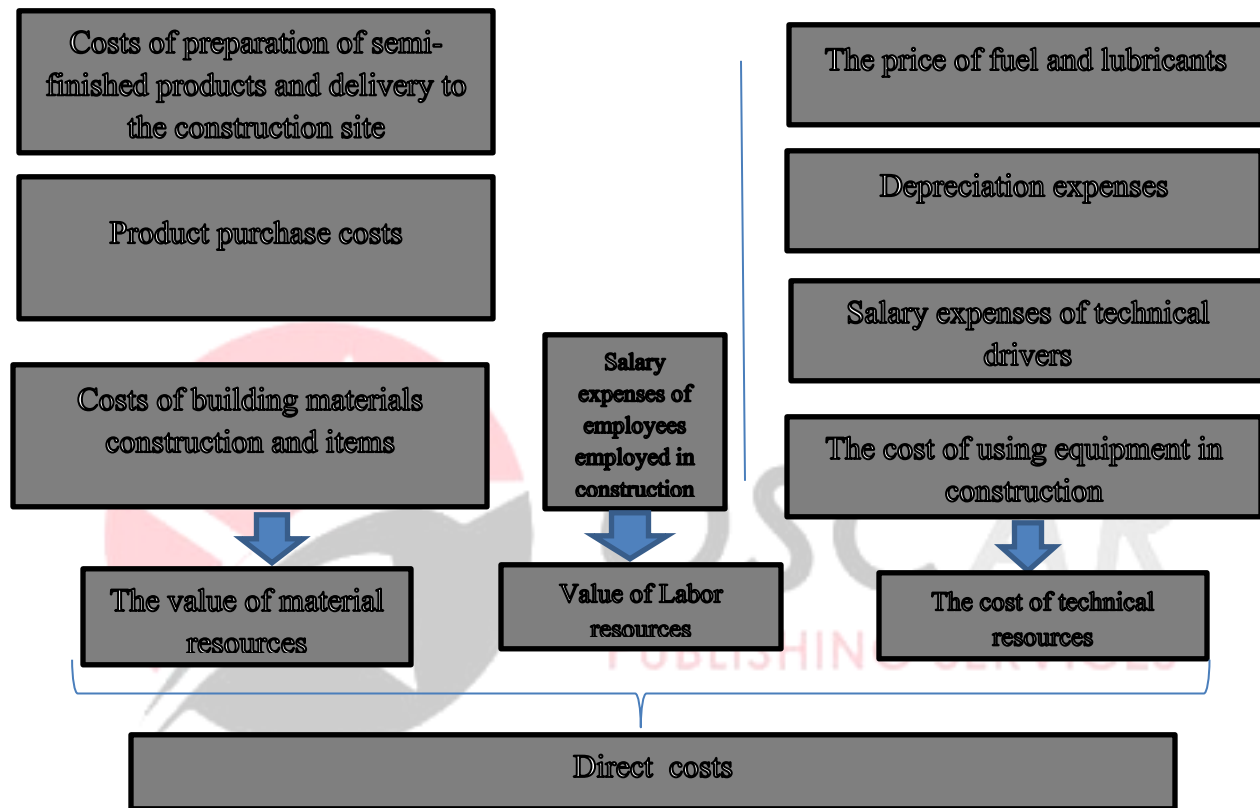


Figure 3. Structure of direct costs formed during the construction process.

Costs for completing one unit of measurement (for example, 1m³ of concrete work or 1m² of floor work) are called unit estimate prices.

Overhead costs are the sum total of costs, which include construction, maintenance, equipment adjustment and testing, as well as management, control, and maintenance [3].

Overhead costs are the costs of running construction enterprises and ensuring the construction of buildings (administrative, economic, etc.). The composition of overhead costs is illustrated in Figure 4.

Direct costs and overheads ultimately make up the estimated cost of the construction work.

$$E_p = DC + OC$$

Estimated profit is the income of the construction organization, and this profit is usually directed to the development of the construction production complex

and the field of social services. Estimated profit is a standard part of the cost of construction materials, which is not included in the cost of services.

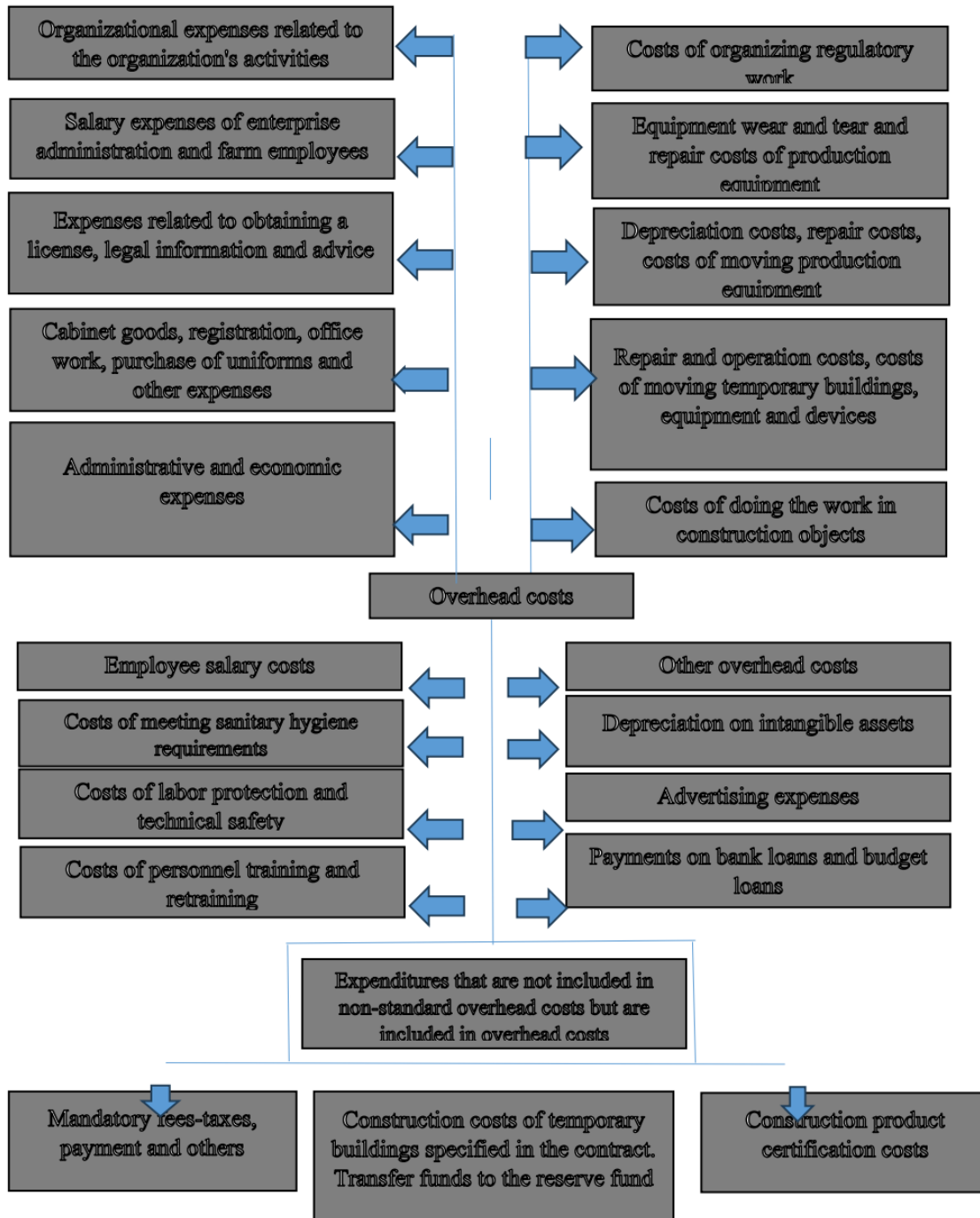


Figure 4. Classification of additional costs taken into account in the formation of the estimated cost of construction and assembly works.

The current value is the price amount, and the value at the time of pricing is the basis of prices. The building construction estimate is created separately for each building and structure and determines the total amount of costs. The object estimate reflects the local estimates in its composition and is used in the formation of the building construction contract. Based on the calculation of local estimates and direct local estimates, the object estimate is calculated, in which the data of local estimates compiled on the basis of working projects are further clarified and compared.

The estimate calculations agreed with the contracting organizations are included in the object estimate and serve as the basis for determining the value of the construction product [3].

At the end of the facility estimate, the cost of construction and assembly works and the funds for covering limited expenses are also indicated. As a result, the full estimated value of the building is determined. This determined estimate value makes it possible to make financial calculations in actual enterprises for the work performed between the customer and the contracting organization [4].

These costs include:

- costs related to the cooling of the weather during the winter and similar cost factors not specified in the estimate;

- expenses determined as a percentage of the local estimated price of the work to be performed and the type of unplanned work and activity. All local estimates are calculated;

- creating a reserve of financial resources for unplanned work and expenses. These costs are included in the aggregate estimate and are directed to cover the costs of contracting organizations [2].

In the field of construction, the situation of completion of buildings and structures by a single contracting organization has not changed. All construction and assembly works are allocated to certain contracting organizations from the point of view of specialization. As a result, a scheme of mutual relations of building subjects is created (Fig. 5).

Most organizations in the construction industry are contractors. These are general contractors and subcontractors. If the contracting organization cannot perform all the construction and installation work independently, it can involve other construction organizations on the basis of the contract. In this case, the first construction organization is the general contractor, and the others are subcontracting organizations. Mutual relations between the general contractor and subcontracting organizations are carried out on the basis of the contract, namely the construction contract.

The contract, drawn up in accordance with the established procedures, defines the rights and obligations of the participants of the construction process regarding the construction, reconstruction, expansion, technological modernization, capital repair and others. On the basis of this contract, the

contracting organization must complete certain buildings and structures based on the customer's plan (project-estimate documents) within the specified time, and the customer must create conditions for the construction and assembly work, accept the result and pay the amount specified in the contract.

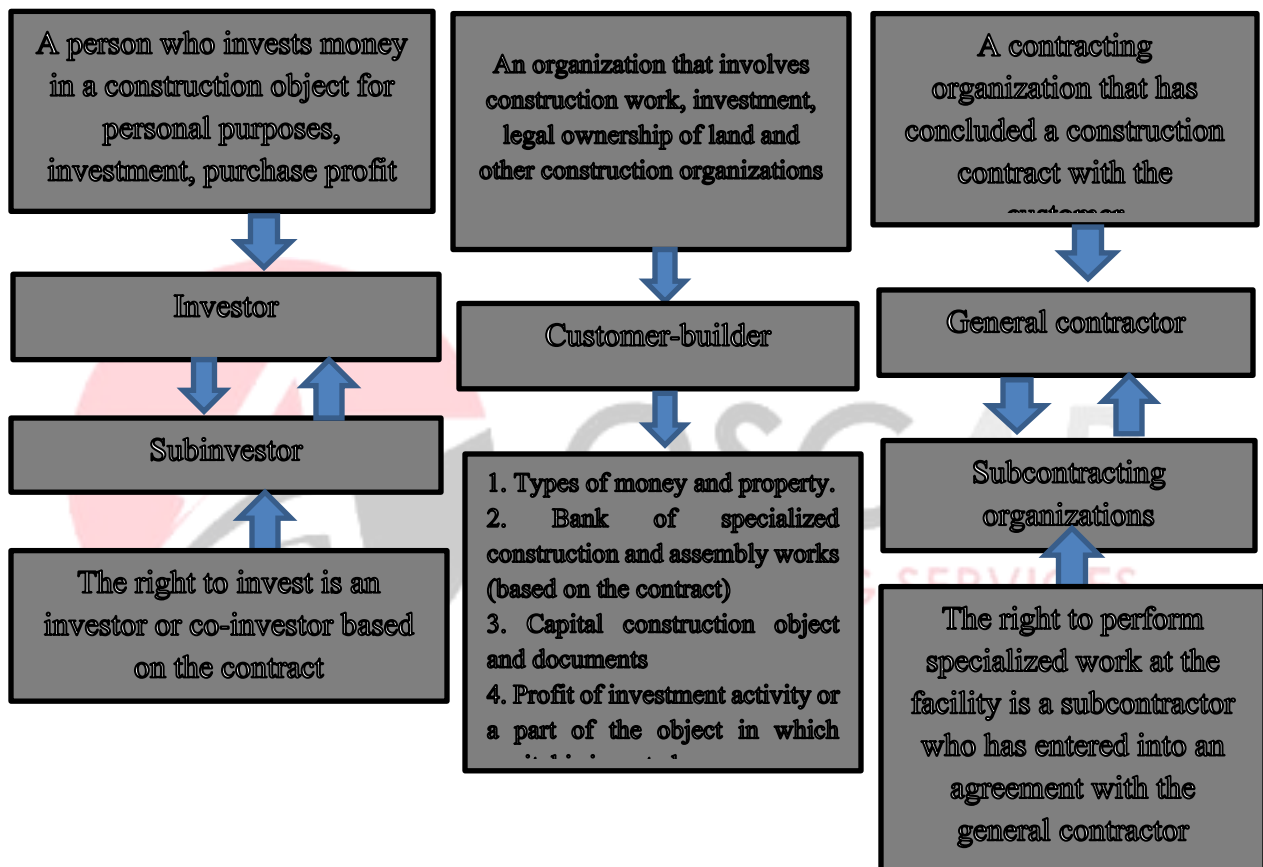


Figure 5. The scheme of relations of construction entities.

CONCLUSION

In conclusion, it can be said that the cost of construction is the construction of new construction buildings, expansion, development, repair and modernization of current fixed assets (production and non-production). These funds are part of the cost of

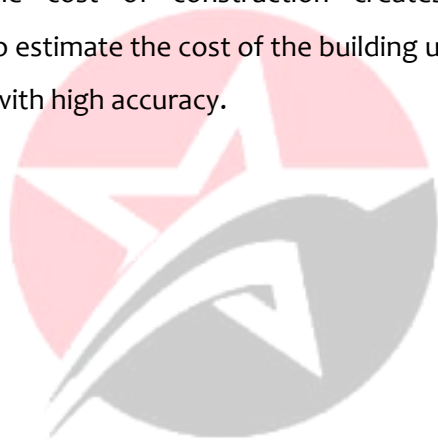
the investment project and serve as a basis for calculating the efficiency of construction production and the efficiency of the investment project. Estimated cost of construction is determined using various indices and coefficients and common current prices used in practice. The normative documents used in

determining the estimated cost of construction do not fully reflect the specific features of the construction (constructive and volume-planning solutions). Similarly, in a situation of shortage of financial resources, it has disadvantages that cannot be allowed. Therefore, based on the experience of developed countries, it makes it possible to determine the estimated cost of construction.

Therefore, based on the experience of developed countries, the use of resource-based methods for estimating the cost of construction creates an opportunity to estimate the cost of the building under construction with high accuracy.

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