

The Importance of Effective Organization of Accounting for the Cost of Production in the Context of Economic Modernization

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Abstract: The article examines the cost of production in accounting by category, type, cost items for production, cost locations, types of products. Cost accounting and cost reduction is a timely, complete and reliable determination of costs associated with the production and sale of products, while adjusting the calculation of the actual cost of individual products and the rational use of enterprise resources. The difficulties encountered in forecasting future expenses are analyzed.

Keywords: cost management, cost reduction, direct and indirect costs, variable and fixed costs, cost analysis.

Introduction. In a market economy, the large-scale implementation of measures for modernization, technical and technological re-equipment of production in almost all sectors and industries expands the possibilities of producing competitive products.

The high pace of development of the global economy and its features requires a professional approach to the revitalization of the enterprise. This topic touches on the most important element of an enterprise's cost management policy, namely strategic cost management in an enterprise in a competitive environment.

The main task of enterprises is to increase their incomes, organize long-term effective work and ensure the functioning of enterprises in the most favorable conditions. [20, 21]

Making the right management decisions for the above task, it is very important to correctly predict their results. In the absence of the necessary information base and resource, mistakes made in decision-making can lead to the loss of a firm's position in the market, a decrease in consumer confidence, as well as a deterioration in its financial situation. For a decision-maker, first of all, the ability to foresee the financial result and the consequences of their implementation is required, which is directly related to the costs and revenues of the enterprise: in countries with developed economies, firms and companies spend almost 90% of their working time in the field of accounting on the organization and management accounting [1].

In the future, the decision-maker must clearly understand the reasons for the change in certain costs in order to correctly assess their cost. In other words, any attempts to make a decision without a real assessment of the level and dynamics of cost changes are doomed to failure.

The implementation of accounting reform in our country over the years of independence has led to changes in the most basic issues. The adoption in 1995 of the Regulation "on the composition of costs for the production and sale of products (works, services) and on the procedure for generating financial results" in 1999 led to fundamental changes in domestic accounting. [1, 2] This provision determined the distribution of expenses based on their nature, connection with the profit of the enterprise for the reporting period. It was the approach to this cost accounting system that resulted from the tasks that accounting should perform in a market economy.

Analysis of the thematic literature. Economic development has come to be considered as a factor of production related to fixed assets in the composition of capital (the main tools from the point of view of accounting) since the 19th century, when the industrial revolution took place and there was a need

to create large-scale capital investments in order to ensure production growth. One of the first scientists to contribute to the study of the role of fundamentals in economics is the English economist, Adam Smith. In his book "Exploring the Nature and Causes of the Wealth of Nations", he spoke about the role of capital in the economy, highlighting fixed assets as one of its main elements [2].

The concept of "fixed assets" appeared in the economy in the late XIX — early XX century as a result of the development of industry and the improvement of productive forces. The main reason for this was that as part of the "fixed assets", various types of equipment, buildings, structures, vehicles and other material objects are needed for the production of products and services. As a result of the development of production and management theories that study issues of production, distribution and related to the use of capital, including fixed assets, Jean-Baptiste Say, John Stuart Mill, K. Marx, A. Marshall, L. Walras, F., the works of scientists such as Taylor and others have appeared, and since then fixed assets They began to be considered as an important factor of production in economic theory [3], [4].

One of the first scientists to study the basic tools was the French economist Jean-Baptiste Say, who in his works allocated fixed and working capital as part of production resources. In his six-volume treatises on Political Economy (1803) [5] and the complete Course of Political Economy, he argued that three factors of production are the result of their interaction or integration through introduction into production - land, capital and labor [6], [7].

The Scottish economist John Stuart Mill, in his work "Principles of Political Economy" (1848), identified fundamental tools that correspond to the definition of "fundamental foundations" in economic theory [8]. In this work, the scientist examined the production process and identified three factors of production: labor, land and capital. He divided the capital into two components – working capital and fixed (undistributed) capital. According to Mill, primary capital includes "parts of capital that are repeatedly used in the production process, such as tools used in the manufacture of buildings, machinery and goods"[9]. He notes that these parts of capital are not only stored for a long time as part of the production process, but also serve to produce other goods.

In his work Capital, published in 1867, Karl Marx described the concept of "fundamental tools of labor." In the first volume of this work, K. Marx introduced the concept of "production capital", which he divided into two components: variable capital and fixed capital [10]. Fixed capital, in turn, was divided into two categories — raw materials and basic tools. He described basic tools as material goods such as buildings, machine tools, tools and vehicles used in production [11]. Over time, the main tools are used to create other goods and services. K. Marx argues that fixed assets are considered an important factor of production, the use of which is crucial for economic progress [12].

The German economist Friedrich von Weiser introduced the concept of "productive capital", which includes fixed assets and land, in his work "capital and income". " (1872) [13], [14]. Wieser considered productive capital as the basis of economic activity and talked about how it affects the level of production and income.

The French economist Joseph Schumpeter, in his theory of economic development (1912), identified the concept of "innovation" and considered it the driving force of economic progress [15]. Schumpeter believed that innovations, including the development of new technologies and production methods, could lead to increased labor productivity and an increase in the volume of fixed assets in the economy.

The English scientist Alfred Marshall included fixed assets as an economic term in his "Fundamentals of Economic Science" (1890) [16]. In this work, A. Marshall outlined his theory of prices, explaining how the price is formed based on the interaction of supply and demand in the market, as well as the

dependence of the price of a product on its cost, including the cost of fixed assets. In this regard, the basic tools were an important element of Marshall's theory.

The 19th century French theoretical economist Leon Walras is known for his research in the field of price theory and resource allocation. In his work "Elements of pure political Economy" [17], he defines that fixed assets are material objects used for the production of goods and services, that fixed assets include not only material objects, but also intellectual and organizational resources, play an important role in generating income in the production of fixed assets, and gives a general idea of the definition

American engineer and manager F.Taylor is known for his research and work in the field of scientific management and production organization [18]. In his works, he clarified the basic tools used in the production process. He believed that basic tools play an important role in improving productivity. Frederick Taylor classified the main tools as follows: machinery and equipment, tools, working methods, workplaces and buildings, personnel qualifications and training, as well as management and control systems [19].

An important role in the study of the economic nature of fixed assets was also played by the American economist Franklin Gilbreth, a contemporary of F.Together with Taylor, he developed methods of organizing production based on a scientific approach. They emphasized the importance of using modern equipment to increase labor productivity and develop efficient technological processes [20].

Nevertheless, discussions on the analysis of accounting and use of fixed assets are still ongoing. This shows the different approaches of economists to the problem under study, for example, to the economic content of the main instruments (in particular, to the definition of the terms "basic instruments", "fixed assets" and "Fixed capital"); [21] the formation of the initial price; the expediency of reuse. -assessment; documentation of accounting of the main tools; issues of accounting, use, accessibility, and

Research methodology. When writing the article, the following methods and methods were used: system analysis, detailing, factor analysis of the composition of costs, conclusions were drawn.

Analysis and results. As a result of the analysis and generalization of the data obtained, proposals have been developed for the organization of a consistent analysis of actual and expected costs based on the use of the most important criteria for assessing their relationship with the decisions taken. The implementation of the proposals makes it possible to form a high-quality information base for making effective management decisions and correctly assessing their consequences.

In order to correctly assess future expenses, it is necessary, first of all, to distinguish their functional dependence on the level of business activity. As K. Ward notes, "it is easy to guess if there is a reliably established relationship between input costs and the costs of subsequent production resources. This relationship is due to the technological features of the production process, which make it possible to accurately predict the consumption of various resources at one or more production levels. Thus, "deviations from the expected volume are explained by the relative efficiency of production, and not by an error in predicting interdependence" [6]. The classification of costs by volume of activity is widely used in economics, but its practical application often causes certain difficulties [7, 8, 9].

However, there are also costs directly related to each unit identified as an indicator of economic activity, but the value of which depends on the volume of activity through the batch of products, the number of orders accepted and completed, and other parameters, and the costs are not associated with each calculation unit, but with their group, for example, with a part of the output [10, 19].

An example of such costs can be transportation costs, equipment processing costs, product quality control, etc. Such costs should be characterized as conditional variables, since for calculating variable

costs and marginal profit, their value is assumed conditionally for the level of economic activity, i.e. for a variable.

As for fixed costs, their value per unit of activity always fluctuates - depending on the specific volume of production. Therefore, when making a decision, it is recommended to take into account the allowable costs in full, without distributing them between units of production, [12, 13] the amount of fixed costs does not depend on the volume of activity, but depends on the period to which they relate. For example, the amount of rent will depend on whether we pay it monthly or quarterly. When you stop production, most of the production costs decrease or disappear completely, but the fixed costs remain at the same level. Therefore, they can be defined as periodic. For the most part, fixed costs "depend on the amount used, not on the amount of resources purchased," so their cost is often determined by "the planned, not the actual level of activity" [14].

In addition to assessing the functional dependence of costs on the degree of activity, it is necessary to take into account the period associated with making a management decision: depending on its duration, information may not correspond to the real situation.

Variable costs, for example, changing in proportion to the volume of production or representing another expression of the level of economic activity of an enterprise, K. Drury calls short-term variable costs, which show that their linear dependence on the volume of activity persists only in a limited range and is displayed completely differently with a significant change in activity [15].

He also noted that if we consider a very short period of time, equal to, for example, one month, then any costs can be estimated as constant, regardless of the level of business activity, and vice versa, in the long term, all costs will respond to changes in the volume of activity and, thus, are associated with variables [15]. However, when talking about fixed costs, it should be borne in mind that they may differ in their role and nature and therefore should be evaluated differently when evaluating a management decision.

Research. Currently, there is a competitive struggle in all sectors of the economy, and one of the main means in this struggle is to reduce the cost of production. [3] But before proceeding to administrative measures to reduce the cost, it is necessary to calculate them correctly and distribute them among the types of products.

In general, resource saving is defined as reducing costs per unit of production, increasing the level of resource use in a positive way. In addition, the concept of "resource conservation" dictates the receipt of profits and results as a result of their effective consumption. Resource conservation can be approached in two ways, that is, from the point of view of absolute and relative efficiency.

Absolute economy characterizes the degree of reduction in the process of production and consumption of products of the amount of living and collective labor included in its composition.[6] However, the level of reliability and the cost of products do not change.

The concept of relative savings should be understood as the process of ensuring profitable production results, i.e., an increase in the volume of costs, in conditions when the costs of live and combined labor are relatively stable. Therefore, solving the problem of resource conservation is very important for the effective development of the economy.

The assessment of the level of thrift is carried out in relative order. If society consisted of one individual, it would be impossible to evaluate his behavior from the point of view of economy. Accordingly, economy is an economic attitude to the economical use of all resources at a certain level of socio—economic development of society and is the main factor in ensuring production efficiency. [4] Economic efficiency also includes the "cost-production" problem. More specifically, economic efficiency characterizes the relationship between the totality of scarce units of resources used in the

production process and the totality of consumer goods. Exceeding the volume of products produced over the volume of costs produced means an increase in productivity.

Therefore, each enterprise should have its own strategy for reducing production costs.

Another of the most effective methods of influencing the process of cost formation in the production process is the management of expenses and incomes of an enterprise based on the organization of financial responsibility centers.

In order to make management decisions, it is necessary to have a clear understanding of the models of cost behavior that involve planning certain levels of costs associated with decisions previously made.[5] The property of price estimation and, consequently, justification of management decisions is of particular importance in conditions of high competition in the market of goods and services. In order to correctly predict the financial results of the actions performed, it is necessary to consistently analyze the dependence of the level, composition and structure of costs on various factors.

The assessment of the costs associated with the actions carried out should be carried out both in the current and in the long term. For example, decisions related to the acquisition of non-current assets require a preliminary assessment of the strategic benefits of using these assets, as well as the risks that can be realized in an unfavorable situation.

In particular, this may be a competitive advantage by reducing production costs, increasing production volumes, using less labor or attracting less qualified personnel, shortening the duration of the production cycle, faster order processing, and increasing customer loyalty.

Particular attention should be paid to the relationship between future income receipts and expenses related to the company's customers, rather than products. From the example below, it can be seen that the cost distribution curve by division distorts the results of the unit's activities.[6] As a distribution base, let's take the sales volume of the most frequently used division.

Secondly, due to the distribution of cost curves for manufactured products, profit remains dependent on changes in the remaining finished products in the warehouse. In conditions of accumulation of illiquid reserves, the company receives an increase in profit due to.

Conclusions and suggestions. Thus, it can be concluded that the full cost method is justified in theoretical consideration, but rather inconvenient in solving practical problems facing the enterprise.

The mentioned disadvantages can be circumvented based on a distribution based on variable and fixed costs. For example, using this method, only variable costs are included in the cost of inventories, and fixed costs are transferred to period costs. This completely frees profits from the impact of inventory changes. But the main practical value of determining the cost of variable costs is that it opens up wide opportunities for management decision-making and analysis in a rapidly changing market environment. The use of this method in Western management accounting systems is not accidental. The most common analytical tools that use variable and fixed cost data include:

- Cost, volume, profit analysis;
- Income analysis based on margin;
- Choosing an alternative option.

In order to make a decision on production volumes, management needs to know the impact of this decision on price, revenue and profit. Understanding the variable costs of fixed-cost products with a fixed size of sales allows you to calculate the desired profit of the enterprise.

The absence of such an approach can lead to negative results in cost management. For example, the lack of such information from the management of a retail chain can lead to sad consequences. The stores

belonging to this network recorded profits at the end of each reporting period. But after the expense was distributed by the management company, some stores always came out with a loss. The management of the chain decided to close unprofitable stores, but ignored the fact that the main part of the expenses of the management company are fixed expenses. It is not difficult to predict the result of such a decision, the fixed costs of the parent company after the closure of the stores were distributed among the other stores, and as a result they also ended the reporting period with a loss.

In conclusion, we can say that any analysis should be based on reliable and operational management reporting. But in most cases, management reports and operational budgets are analyzed only on the basis of accounting data. It's like getting into a dead end. Since accounting statements on wages, value added tax, etc. remain in time quite late due to calculations. In short, for the full-fledged work of management accounting at the enterprise, it is necessary to implement a system of operational and structural reporting.

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