

Improving Production Cost Management in Industry

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Abstract. *The conditions for the formation of a market economy at the present time and the improvement of management, the importance and role of cost, which is a source of profit in the development of new strategies in the development of the enterprise, are increasing. The situation of fierce competition leads to the fact that enterprises show great interest in the process of managing costs, finding ways to improve their accounting and monitoring. The organization of the cost management process in the enterprise helps to reduce the overall level of costs. This gives the company additional competitive advantages. Achieve great results in the enterprise by effectively managing costs, maximizing profits and improving production efficiency. The main financial result of the company's activities is profit, which serves as the basis and source of funds for its further development. You can increase the profit by increasing the volume of production or the price of products, but this is not always possible and appropriate. Therefore, the main condition for increasing the company's profit is to reduce the cost of production and sales of products, reduce the cost of production, and therefore an important issue for the company is the management and organization of costs.*

Keywords: *market, competition, economy, funds, costs, production, management, enterprise, funds, profit.*

Introduction

In the conditions of market relations, there is no doubt that the need and acuteness of solving managerial issues of a large-scale nature are the main problem of all economic subjects of the republic. From this point of view, a special place is given to accounting, audit and analysis of production costs in the production and economic system as the main management tool. This is due to the fact that in a tough competition, the main factor in maintaining profits and the functioning of the organization is the need for timely and reliable information on the costs of production and sales of products in order to reduce the cost of production. And this, in turn, gives full opportunities to search for the quality and efficiency of product production, as well as ways to further improve it, identify reserves for reducing the cost of production

Cost management in an enterprise implies the establishment of functions specific to the management of certain objects, that is, the processing and implementation of decisions, as well as control over their implementation. Cost management functions are carried out through the elements of the management cycle:

- forecasting and planning;
- organization;
- coordination and regulation;
- activation and motivation to perform;
- accounting and analysis.

Execution of control functions in full for all elements constitutes a cycle of influence of the control subsystem on the control subsystem. The interaction of cost management functions is reflected in the next section.

Theoretical part

Forecasting and planning in cost management are divided into future and current. The task of long-term planning at the moment is to prepare information on the expected costs when developing a new sales market, organizing processing and releasing new products, and increasing the company's profitability. These include marketing research and research and development, capital investment costs.

Current plans specify the implementation of the long-term goals of the enterprise. Organization is the main element of effective cost management. The organization shows who does it, when, what sources of information it uses and what methods it manages. It defines the cost center, defines the cost centers and the center responsible for their implementation [1].

The desire to maintain cost savings cannot be replaced by a reprimand for cost increases. In this situation, workers will have to ensure overfulfillment in order to fulfill the plan.

Accounting is an element of cost management necessary to prepare information in order to make the right business decisions. Production accounting is included in the management accounting system

Cost analysis is an integral element of control activities, it helps to assess the effective use of all resources of the enterprise, allows you to identify unused reserves in production, summarizes information for preparing plans and influences effective decision-making.

The control service or, as it is also called, monitoring provides feedback in the cost management system, that is, it compares the planned costs with the actual ones. The effectiveness of control is manifested through corrective management actions.

Among these management services, the greatest need is received by the accounting service, where it is proposed to use «direct costing», that is, a method of accounting for costs at the place of origin, since over the course of a number of years costs are spent, and the reason for their loss is difficult to determine [2].

Practical part

Activation and stimulation means finding a way to influence production participants, stimulating them to adhere to the costs set by the plan and look for opportunities to reduce them. This type of activity can be motivated by material and non-material factors (Figure 1).

It is known that it is important to correctly form the composition of production costs and sales costs and their accounting. The effective use of material,

labor and financial resources, which make up the bulk of the costs in the production of products, the performance of work and the provision of services, depends not only on the amount of income received, but also on income tax, the viability of the organization and other aspects.

As foreign experience shows, the market economy is based on a competitive policy – the most important condition for the optimal provision of society with resources. A competitive organization is an organization that is economically profitable using its production resources and is able to profit from this. Today, there is a gradual adaptation of domestic production accounting to the requirements of a market economy, the requirements of economic methods of managing an organization, but for its successful implementation, careful organizational and methodological preparation is required.

In the conditions of market relations, one of the most important issues in the practice and methodology of accounting is the procedure for the formation of production costs, the cost of work and services and the financial result of the enterprise.

Depending on the possibilities of the free development of competition and pricing policy in a market economy, the role of cost increases as a factor influencing the level of income and as the main management tool.

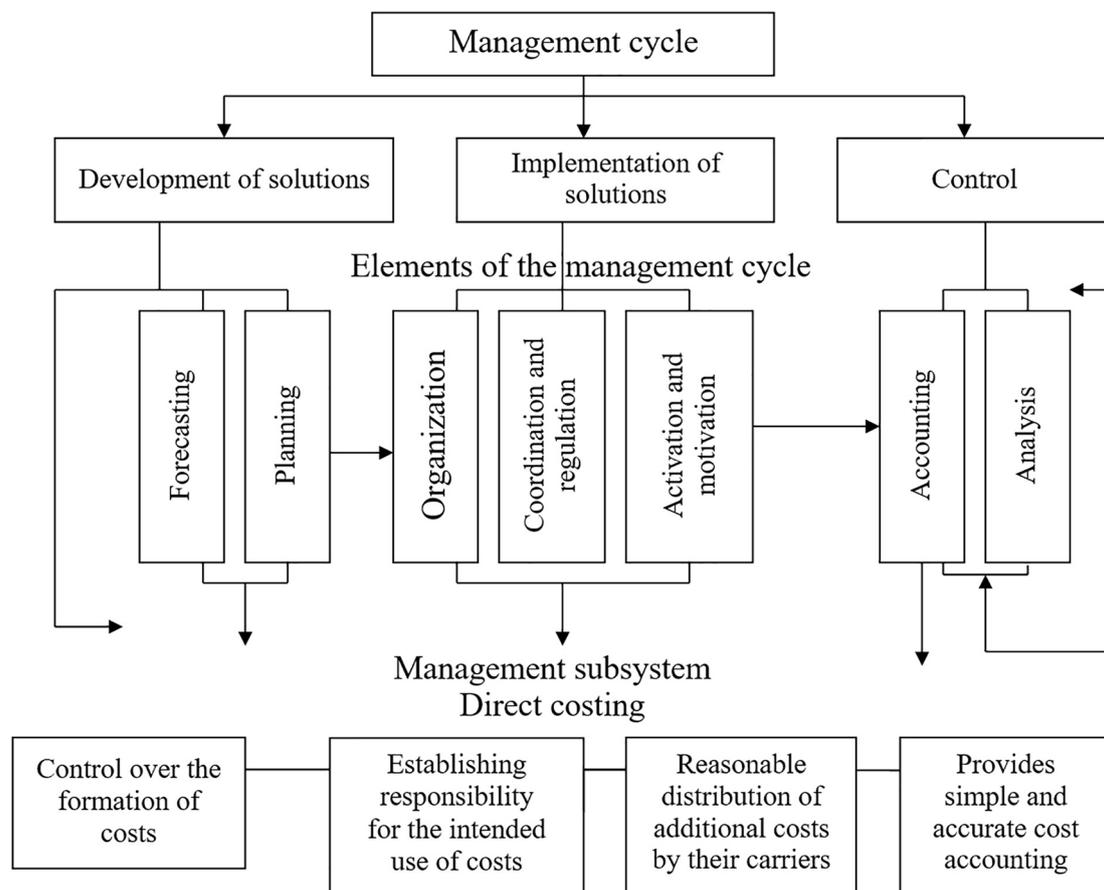


Figure 1 – Place of accounting activity in cost management

The concepts of the cost of production, both before and at the present time, are mentioned in the works of economists and scientists. According to one of them, A.P. Bortnikov, «The cost price is a reflection of the current costs of the enterprise associated with the production and sale of products in monetary form». Nevertheless, such a definition cannot reveal the comprehensive, sufficient content of the studied category, it only comments on the type of cost price [3].

GA Sokolovskaya, characterizes the cost of production as a level of resource conservation. It is also impossible to completely agree with such a concept of the cost price, since this indicator is opposed to the very content of the cost price. The cost price shows how much the production of a particular product goes to an enterprise, that is, it characterizes a certain level of production costs. Meanwhile, the level of resource saving is the amount of production assets and labor spent on the production process.

The cost of production, being one of the main economic indicators characterizing the production and economic activities of the organization, not only affects the formation of the company's income, the level of stockpiling and reserves, but also affects the tax system. Since the data on production costs and costs were previously generalized in the accounting system and met the requirements of a centralized management economy in their content, the state center was limited to obtaining information about all costs admitted to the production process and the total production (actual) cost of products for assessment purposes. ...

And in conditions of market relations, the price of products is determined through the mechanisms of supply and demand that have developed in the market. In this regard, organizations must independently establish a list of costs included in the cost of production, in accordance with the methodological recommendations of domestic accounting standards and international financial accounting standards.

The cost of production is considered an objective indicator and does not depend on the content of any regulatory enactments, and its content is determined based on several economic criteria, i.e. the cost of production should be related to the production activities of the organization. The cost of products, works and services includes the costs associated with the production process. Costs not related to production activities are classified as non-production costs and are not included in cost of sales.

Thus, the cost shows the society the costs of producing a certain type of product, and the cost price shows the costs for the enterprise for the production of this type of product. The cost price, being a specific category, does not coincide either in quality or quantity with the cost. Hence, it becomes necessary to separate the cost of production from its value.

With regard to the economic content of the cost, it represents the means of production and labor costs spent on the output of products, which has become

part of the cost of production and provides the replacement of space to continue the reproduction process.

The costs of work and services included in the cost price are grouped as follows:

1. Basic and auxiliary materials: the cost of basic and auxiliary materials that form the basis of production work, these include: crushed stone, sand, asphalt concrete, cement and the cost of fuel and energy directly spent on the production process.

2. Construction mechanisms and parts: the cost of construction mechanisms and parts purchased and manufactured by the construction organizations themselves, which include: pipes, signal poles, etc.

3. Basic salary and deductions from it: basic salaries and deductions from work directly involved in the production process (including non-payroll)

4. Expenses for the operation of construction machines and mechanisms: wages of mechanics, machinists, minders and so on, the cost of inventories, including fuel and energy, spent on equipment, depreciation amounts, rent, maintenance costs, diagnostics, repairs, etc. costs associated with the operation of construction machines and mechanisms

5. Costs for the development and preparation of production: costs for the development and preparation of new production and technological processes (including costs for the future period)

6. Other overhead costs include: in addition to the above costs: additional salaries of production workers and deductions from them – depreciation of fixed assets used in construction work; costs for the maintenance of security and fire extinguishing services, roads and temporary buildings and other devices, manufacturing defects, remuneration of foremen, wear and tear of buildings and structures and the cost of their maintenance and other costs.

Part of the cost of working materials included in production costs is determined by the formula:

$$\text{Standard consumption value} = \text{actual cost of circulating materials} - \text{returnable cost of materials} \div \text{number of revolutions.}$$

The recoverable cost of circulating materials after their use is determined by the construction organization by the price of their possible use.

The writing off of materials for production costs is carried out strictly in accordance with the norms for the consumption of materials adopted in the organization, and the use of excess materials is formalized in an act, which indicates the circumstances that caused the excess consumption of materials. On the basis of these acts, the management makes a decision on the justification of the overspending and attributing them to production costs or on the recovery from the guilty persons who caused the overspending.

The basic wages of employees include payments for actually performed work, additional payments for overtime work, payments for defects not attributable to the fault of employees, and allowances paid in accordance with the complexity of the work.

Current costs include:

- remuneration of workers involved in the management and maintenance of machines and mechanisms (machinists, mechanics, bulldozer drivers, etc.);

- the cost of electricity, fuel and lubricants and other auxiliary materials;

- the cost of work on the maintenance and repair of machines;

- rent for the use of rented machines and mechanisms;

- other costs for the operation of machines and mechanisms.

The costs of the organization for the operation of construction machines and mechanisms that are in its ownership, and the cost of services of mechanisms attracted from outside, are often included in the cost of objects directly.

The correct formation of the cost of work and services performed in market conditions affects the final result of the financial and economic activities of a construction organization. That is, real results can be achieved through the practical application of the following methods of cost reduction to ensure a continuous production process by business entities. In this regard, for organizations involved in construction and installation, repair work, in order to efficiently and economically use production costs and reduce the cost of services in the industry, we consider it necessary to perform the following measures:

- economical use of building materials, that is, transportation only when used in construction work, without eliminating the quality of the main and auxiliary building materials spent on construction, their timely release according to the norms, reducing the cost of storing and transporting materials, increasing the possibilities of using materials, produced in the construction organization itself; the use of reused materials for major and current repairs of roads, reducing transport costs with effective communication with suppliers located near the construction sites; use of special means of loading and unloading to prevent losses during loading and unloading;

- improving the organization of labor and construction management, that is, increasing the level of specialization of construction organizations; the use of advanced forms of remuneration in construction; reduction of downtime and inflow of workers in production for efficient use of working time; payment of additional wages to employees with strict verification of data in disturbing documents;

- control the costs of sanitary and household services and the organization of work on construction sites, as well as the expenditure of overhead costs in accordance with the estimate by eliminating defects in production;

- mechanization of housing construction works, i.e. reducing the number of machine-hours and machine-shifts using new high-performance machines and mechanisms, the use of small road construction

equipment for laying asphalt concrete mixtures that replace manual labor in order to improve the quality of construction work and economical use of working time; their correct distribution between the types of work performed, taking into account the productivity of machines and mechanisms; economical use of fuel and auxiliary materials used; reduced costs associated with repair and maintenance; reduction of construction equipment delays.

When planning the cost of production, they provide for its reduction and increase. As a result, the optimal level of production costs and savings growth is determined.

Cost planning will be current and forward-looking. A long-term plan is drawn up for several years. With current planning (for a year), long-term plans are drawn up on the basis of cost estimates and production costing plans.

The following factors affect the cost of production:

- volume of production;

- the quality of the feedstock;

- specific material costs (fuel, energy, etc.);

- labor productivity;

- Administrative expenses.

The change in the volume of production is one of the most important factors affecting the change in the formation of the cost of production.

Fixed costs with a change in the volume of production remain unchanged in absolute amount or change insignificantly, and per unit of output, on the contrary, are proportional to the growth of production.

Conventional fixed costs include plant-wide costs and most of the workshop costs. Including: basic labor costs, depreciation costs, etc. When the volume of production changes, the costs, which remain unchanged, change in proportion to the volume of production when the volume of production changes. Remuneration of workers due to variable costs, the cost of materials and tools, the cost of electricity, transportation and much more.

Changes in the cost of production are explained by cost groups, i.e., fixed and variable (Figure 2).

Raising the technical level of production.

In increasing the technical level of production, calculations affecting the cost of ferrous and non-ferrous metallurgy products, there are the following areas:

- 1) automation and mechanization of production processes, the introduction of new progressive technologies (the introduction of progressive and self-propelled mining equipment for the development of minerals, the use of acid in metallurgical production);

- 2) improvement of the applied equipment and production technology and expansion of the scale;

- 3) improving the use of energy and fuel, materials and raw materials in production; introduction of new, efficient types of consumed energy and fuel, materials, raw materials (transition from the use of coal fuel to gas fuel with the use of new flotation reagents, etc.);

improving the quality of products (improving the quality of concentrates, improving the grades of metals, etc.);

4) an increase in the technical level of production and other factors.

According to the characteristics of the factors influencing the cost of production, they can be combined into the following groups [4].

Improvement of production and labor of the organization

When determining the factors affecting the cost of ferrous and non-ferrous metallurgy products, the following is taken into account. Improving the organization and maintenance of production; reducing costs to management and improving production management; improving the organization of work, the use of fixed assets; reduction in transportation costs; elimination of non-productive costs; reduction of losses from rejects, etc. factors that

increase the level of production of the organization (Figure 3, 4).

The authors' conceptualization of cost planning coincides with the concepts of domestic economists. A distinctive feature is that Russian economists, when planning the cost of production, pay great attention to the tasks of reducing the cost of production.

Now, at many enterprises, the cost price is perceived through the prism of taxation and is not considered in operational management as an objective economic indicator. So, cost management is the heart of accounting management, on the basis of which operational management is formed.

So, first of all, the two values should not be confused with each other. The first is the full actual cost, a calculated figure for tax purposes only. The second, the cost for managing the microeconomics of an enterprise, is a tool for increasing its efficiency [5].

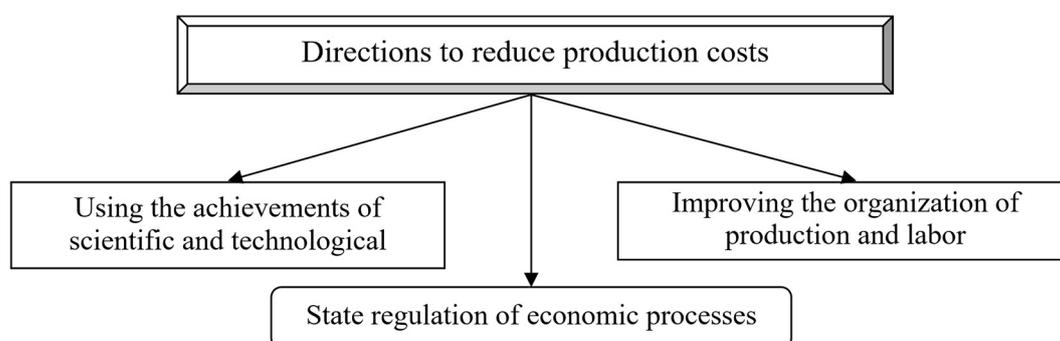


Figure 2 – Directions of reducing production costs

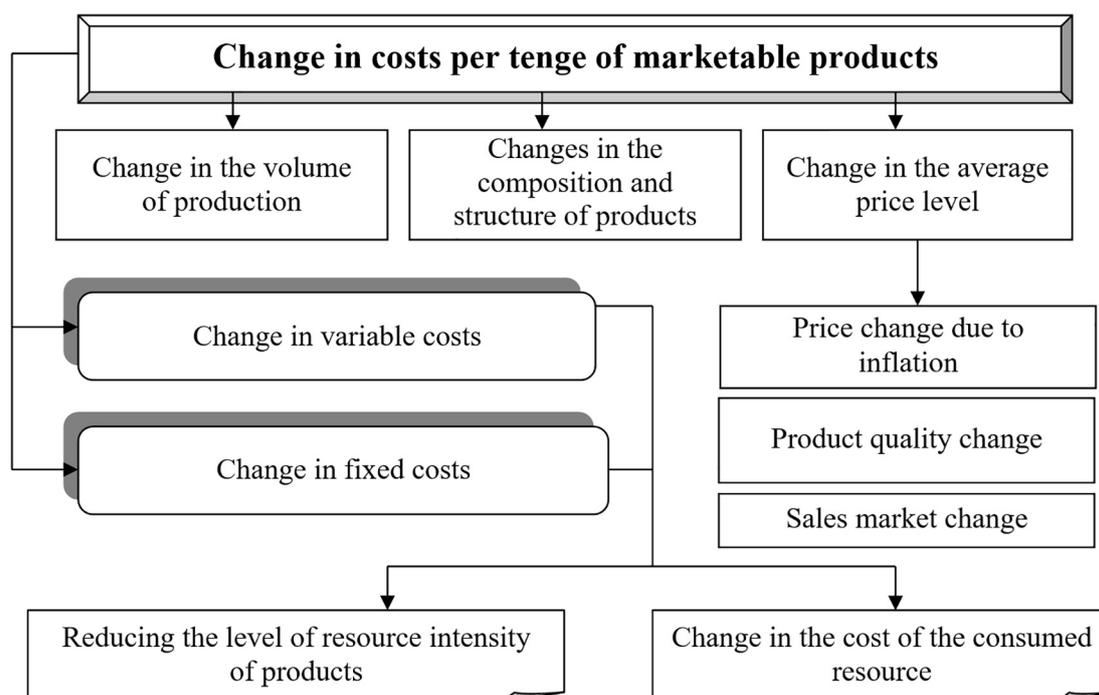
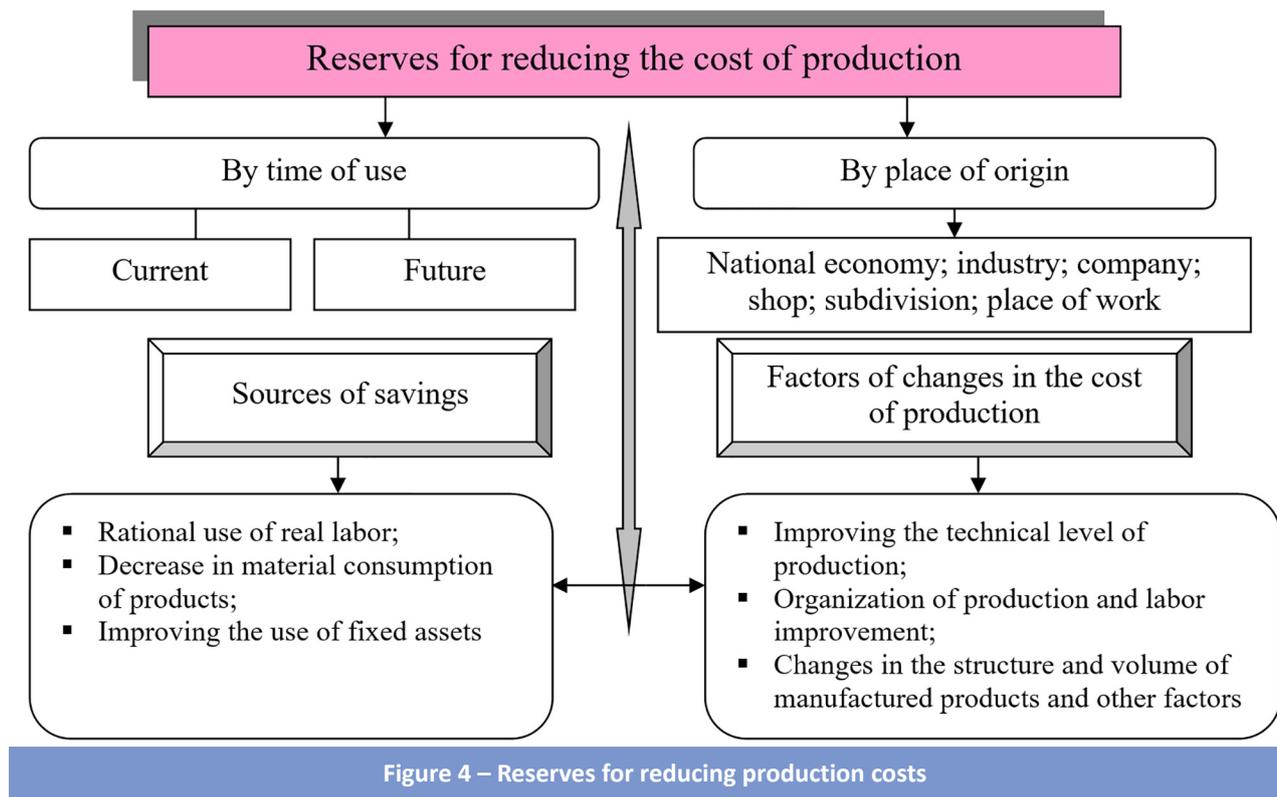


Figure 3 – Factors determining the level of losses of marketable products in tenge



Conclusion

Cost control is the planning and control of the cost.

The cost of processed industrial products is influenced by many factors. The degree and characteristics of various factors that affect the level of cost, must be taken into account when planning the cost of production, aimed at increasing production efficiency.

According to the characteristics of the factors affecting the cost of production, they can be combined into the following groups.

Raising the technical level of production.

In increasing the technical level of production, calculations affecting the cost of ferrous and non-ferrous metallurgy products, there are the following areas:

1) automation and mechanization of produc-

tion processes, the introduction of new progressive technologies (the introduction of progressive and self-developing mining equipment for the development of minerals, the use of acid in metallurgical production);

2) improvement of the applied equipment and production technology and expansion of the scale;

3) improving the use of energy and fuel, materials and raw materials in production; introduction of new, efficient types of consumed energy and fuel, materials, raw materials (the transition from the use of coal fuel to gas and the use of new flotation reagents, etc.);

4) improving the quality of products (improving the quality of concentrates, improving the grades of metals, etc.);

5) an increase in the technical level of production and other factors (improvement of production and labor organization).

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Аңдатпа. Қазіргі кездегі нарықтық экономиканың құрылу шарттары және басқаруды жетілдіру, кәсіпорынның дамуында жаңа стратегияларды жасауда пайда көзі болып табылатын өзіндік құн мағынасы мен рөлі күшейе түсуде. Қатаң бәсекелестік жағдайы кәсіпорындардың шығындарды басқару процесіне, оларды есептеу мен мониторинг жүргізуді жетілдіру жолдарын іздеуге үлкен қызығушылық тудыруына әкеледі. Кәсіпорында шығындарды басқару процесін ұйымдастыру шығындардың жалпы деңгейін төмендетуге көмектеседі. Бұл кәсіпорынға қосымша бәсекелік артықшылықтарды береді. Шығындарды тиімді басқару арқылы кәсіпорында үлкен нәтижеге қол жеткізу, пайданы максималдау және өндірістің тиімділігін арттыру. Кәсіпорын қызметінің негізгі қаржылық нәтижесі пайда болып табылады, ол оның келешекте дамуының негізі және қаражат көзі қызметін атқарады. Өндіріс көлемін немесе шығарылатын өнімге бағаны өсіру арқылы пайданы арттыруға болады, бірақ бұл әрдайым мүмкін емес және мақсатқа сай келмейді. Сол себепті кәсіпорынның пайдасын арттырудың негізгі шарты өнім өткізілімі мен өндіріс шығындарын төмендету, соның ішінде шығарылатын өнімнің өзіндік құнын төмендету болып табылады, осыған орай шығындарды басқару және ұйымдастыру кәсіпорын үшін маңызды мәселе болып табылады.

Кілт сөздер: нарық, бәсеке, экономика, қорлар, шығындар, өндіріс, басқару, кәсіпорын, қаражат, пайда.

Совершенствование управления себестоимостью продукции в промышленности

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Аннотация. В настоящее время в условиях формирования рыночной экономики и совершенствования управления значение и роль себестоимости, являющейся источником прибыли при разработке новых стратегий в развитии предприятия, усиливается. Ситуация жесткой конкуренции приводит к тому, что предприятия проявляют большой интерес к процессу управления затратами, поиску путей совершенствования их учета и мониторинга. Организация процесса управления затратами на предприятии способствует снижению общего уровня затрат. Это дает предприятию дополнительные конкурентные преимущества. Большие результаты на предприятии достигаются путем эффективного управления затратами, максимизации прибыли и повышения эффективности производства. Основным финансовым результатом деятельности предприятия является прибыль, которая служит основой и источником средств для его дальнейшего развития. Увеличить прибыль можно, увеличив объем производства или цену на выпускаемую продукцию, но это не всегда возможно и целесообразно. Поэтому основным условием повышения прибыли предприятия является снижение издержек производства и реализации продукции, снижение себестоимости выпускаемой продукции. В связи с чем важным вопросом для предприятия является управление и организация затрат.

Ключевые слова: рынок, конкуренция, экономика, фонды, затраты, производство, управление, предприятие, средства, прибыль.

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