

ACCOUNTING AND ANALYSIS

Cost Management in the Industrial Enterprises Economy

Nataliia Bieliaieva

Kyiv National University of Technologies and Design,
UKRAINE, Kyiv, A. Achmatovoi street ,3a,
E-mail: nataliabel@mail.ru

Abstract. The subject of the study is large industrial enterprises and a necessity of an effective cost management on them. In general mechanism for enterprise management is determined by the degree of costs controllability. So to make a correct management decisions, manager should know the size and place of cost occurrence to prevent the situation where managers decide to refuse production of profitable products and continue production of unprofitable products.

Key words – costs, cost management, industrial enterprise, industrial enterprises management, competitive environment, market economy, management decisions.

I. Introduction

Industry is the backbone of Ukraine's economy, that's why for our country sharply raises the issue of effective cost management, and particularly cost management in the industrial enterprises. Herewith exactly effective policy in efficiency improving, including through effective cost management, makes it possible to realize the potential of the domestic economy.

Theoretical and methodological areas of industrial enterprises management, and including cost management, has developed Akmayev, A. Aksenenko, I. Alexandrov, I. Belousova, A. Borodkin, F. Butynets, B. Wisniewski, N. Gerasymchuk, S. Golov, M. Hreschak, B. Ivashkevich, G. Kozachenko, A. Kotsyuba, M. Kuzhelnyy, L. Napadovska, M. Pushkar, B. Sopko, W. Tkach, A. Turylo, A. Cherep and many other scientists. Do not reduce the importance and value of the contribution to the science development of enterprise management, and including cost management, we need to pay attention to the presence of unresolved theoretical and practical problems of the methodology of cost management of industrial enterprises at the present stage of economic development.

II. Main Part

The large industrial enterprise has continuously played a central role in the dynamic growth of the international economy and the economic transformation of all major nations. Among the new forms of large enterprises, manufacturing firms have been at the forefront not only of capital formation and productivity growth but also of technological progress and knowledge augmentation. This is not simply because modern economic growth on a global scale has taken the general form of industrial development. It is also because manufacturing enterprises, especially those in capital-intensive and knowledge-intensive industries, have historically

accounted for most of the research and development which became essential to continuing technological innovation in the modern century.

The basis of the power of developed countries is large industrial companies, corporations, which effectively solve the problem of securing society requires of a set of goods, products and services. Large industrial companies for a century dominated in such sectors like engineering industry, coal, chemical and others.

Industrial doctrine implies the transformation of the industrial complex from the passive object of economic reform on an active stakeholder. This means the formation of large industrial enterprises as most significant economic and information technology base state.

In the real world no comprehensive and current activities management system on large industrial enterprises of Ukrainian industry due to the limited resources (time, financial, intellectual, etc.), incompleteness of information and knowledge, imperfect institutional mechanism of [1, p. 41].

Industrial enterprises have to operate in a competitive environment, limited resources, imperfect legal framework, unstable political environment and other adverse factors. Industry managers understand that further activity of their enterprises is in a hard grip. On the one hand, the market dictates the price of products, on the other hand, competition makes us look for internal reserves. In the market conditions one of the main goals of the enterprise is to maximize profits, so the company has the way of continuous and timely adjustment costs identified with the term "cost management" [2, 3].

Cost management is the process by which companies control and plan the costs of doing business. Individual projects should have customized cost management plans, and companies as a whole also integrate cost management into their overall business model. There is no single accepted definition for this term, because it has such broad applications and possible strategies. When properly implemented, cost management will translate into reduced costs of production for products and services, as well as increased value being delivered to the customer.

III. Analysis

In general mechanism for enterprise management is determined by the degree of costs controllability.

At a time when recession has reached a critical point and put the whole industry is literally on the brink of survival, most managers and professionals finally realized that only competent relation to costs at all stages of the production process will improve the situation. For this decision encourages also systematic prices and rates rising for all types of resources.

State of production under current conditions is characterized by its efficiency, psychological parameters, the degree of use of scientific and technological progress, the place and role of the worker in the production process. Limitations of resources and achieving planned performance

require direct comparison of costs and results. This problem is aggravated under the influence of inflation when data on production costs should routinely verify the data of future costs, which depend largely on the external environment. In addition, the administration in order to manage costs and revenues watching the efficiency of each unit, the results obtained from the production of each product.

Almost every enterprise has reserves to reduce costs to a reasonable level that allows for growth of economic efficiency to further competitiveness enhance [4, p. 6].

The costs and expenses are recorded and monitored during the project execution period to ensure that the cost is in line with the actual cost management plan. Once the project is complete, the actual costs are compared with the predicted costs, which will help in predicting future expenses.

Some of the advantages of cost management include:

- The ability to predict a project's future expenses and costs
- The maintenance of a central record of all predicted expenses
- The ability to ensure that costs are approved before purchases are made
- The ability to control a project's expenses

In order to overcome these challenges and make the right business decisions manufacturing companies must have access to accurate, timely and actionable cost and profitability information. An enterprise cost management approach that integrates cost management and profitability analysis for all levels in the company is the most effective way to ensure that you have this important information.

Market economy characteristic of which is private property, producers competition, the impact of supply and demand for capital migration and development areas of business, ensuring the formation of market self-regulation of the economic mechanism, incentives to reduce production costs and improve business. Impact of market relations on the costs level of economic, activity through the mechanism of competition and free market pricing to provide incentives to increase efficiency and promote the economic development of businesses that create customer value greater volume with less expenditure of inputs.

However, statistics show that today in Ukraine remain high costs volume production, it is a significant share of unprofitable enterprises. Accordingly, low (under 6%) are indicators of operating profitability of domestic enterprises. The high today is the share of unprofitable enterprises in areas such as Volyn (33.2 %), Kherson (34.6 %), Dnipropetrovsk (31.6 %) and ARC (32.9 %). It should also be noted that it is unsatisfactory the structure of production costs of Ukrainian enterprises. This is due, above all, high energy consumption and materials produced domestically. These figures show how the ability of incomplete market costs self-regulation in the current economic conditions, and also about the ineffectiveness of the methods of state regulation of these processes.

Taking this approach to cost management will help a company determine whether they accurately estimated expenses at first, and will help them more closely predict expenses in the future. Any overspending can also be monitored in this way, and either eliminated in future projects or specifically approved if the expense was necessary. Cost management cannot be used in isolation; projects must be organized and tailored with this strategy in mind.

Cost efficiency is important both in good times and bad. When business is slow, enterprise cost management can help increase your savings and help generate the cash and liquidity you need to survive. When business is booming, it can provide a scalable cost base that can help increase profitability and can allow you to grow aggressively through hiring new talent, acquiring new businesses and pursuing new market opportunities.

Enterprise cost management techniques provide collaborative approaches to reducing costs. Through strategic ECM, companies are finding themselves able to align corporate strategy and functional area execution, allowing them to formalize goals, establish accountability metrics and tracking to ensure timely plan completion and drive external collaboration with multiple groups like partners and suppliers. Using spend-management techniques, supplier network analysis/selection, supply chain analysis and should cost analysis enables the most innovative, disciplined organizations to reap benefits such as: structured approach to help manage cost; family-based sourcing strategies; visual depiction of Supply Chain, Engineering, Purchasing and Product Assembly; total Cost of Ownership (TCO)-based decision making; enhanced spend analytics accelerate analysis; risk sharing implementation structure.

Conclusion

Today Ukraine faced very acute problem of loss and bankruptcy of domestic enterprises. This is due to the fact that in a crisis economy, most businesses operating at a loss, and it is exciting a large proportion of those that are on the verge of bankruptcy. Unprofitable enterprises reflect the existence of macroeconomic financial crisis that became unmanaged and, consequently, may lead to loss of solvency and bankruptcy of a large proportion of domestic enterprises, as well as deterioration of the overall economic situation in the country. Therefore, due to the growing problem of loss-making enterprises in Ukraine, fairly urgent question shall issue the financial condition analyze of local entities.

If the cost management system does not provide enough accurate classification spending of resources by type of product, cost accounting for certain types of products will be distorted.

In that case there is the probability of making an incorrect management decisions. It may be a situation where managers decide to refuse production of profitable products and continue production of unprofitable products.

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