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Aspects of Expense Formation for Analytical and Reporting Support of Management of Business Processes of the Organization

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Abstract: The study Svetlana with the basic tools and techniques of cost management within operational business processes. It gives the classification of costs and expenses for analytical and reporting support of business processes management, provides schemes of costs transformation. The study proves the necessity of administrative procedures. These procedures are sets of specialized units interconnected during justification, development and adoption stages of strategic managerial decisions that respond flexibly to changing internal and external environment. They also take into account all methods of reflecting expenses based on directions, place of origin, prime costs and calculation objects. The study gives examples of elements and methods used in the organization of the system of accounting and analytical support of business process management of an economic entity.

Key words: Accounting, cost management, classification of costs, the system of accounting and analytical support, cost management expenses, ongoing operating expenses and non-recurring expenses

INTRODUCTION

The urgency of formation expenses in the accounting and analytical support of business process management organization assumes full and timely provision of all levels of management information needed to make informed decisions, forecasting and evaluation of the results of the company and its structural divisions. The highest value will be assigned to issues of organizational and methodological support of key business processes of the food industry because of a higher level of management accounting and analysis of their activity. Problems of formation expenses in the accounting and analytical support for business process management organization were viewed by many domestic and Foreign economists (Saunders *et al*., 2012; Zalevskey, 2009; Kerimov, 2011; Needles *et al*., 2003; Usatova, 2008; Bakhrushina, 2007).

MATERIALS AND METHODS

Due to high competition and social significance of the products in food industry, the problem of making an effective managerial decision is of a particular relevance. Production is a common economic activity, both among small businesses as well as in the major holding companies. In the process of development of market relations need to constantly transform enterprise management systems is obvious. One of the most important areas of this activity serves the development of tools and methods of cost management within operational business processes. The effectiveness of organization and its competitiveness in the market are largely determined by how efficiently cost management is carried out. This process is not just about reducing costs, it covers all stages of management of the financial and economic activities of the company in the ongoing business processes and is systemic.

Addressing in the field of cost management in the organization in the market implies the full mobilization of all accounting and cost management analytical tools available to the company.

A number of challenges arise during cost management process. These include volatility in the price of raw materials, fuel and energy, competition, inadequate infrastructure, the break of economic ties and other issues that arise during the formation of a market economy, defining an entirely new approach to cost management in enterprises (Zimakova *et al*., 2015).

The main part: It is known that the management of business processes in the business entity is primarily aimed at regulating the various manufacturing processes in accordance with the selected goal. The main purpose of enterprises engaged in the production and sale of products to consumers is to maximize net income. In practice, this problem is limited to a specific reflection of the fact that a business transaction in the accounts and reporting. Given the specificity of the market economy,

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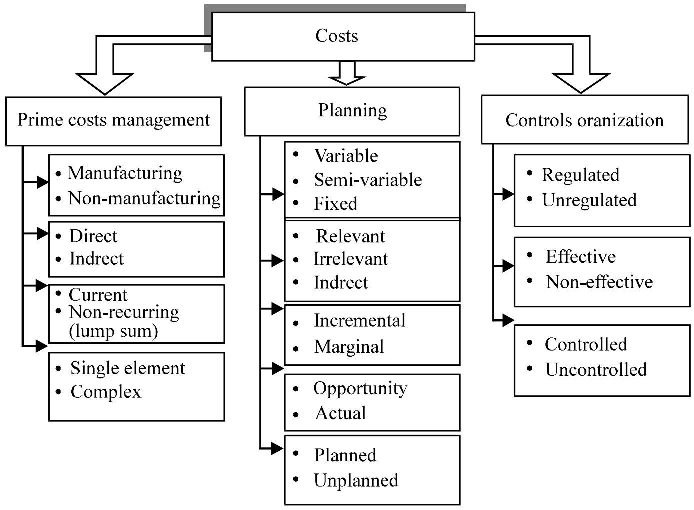

Fig. 1: Classification of costs in the system of accounting and analytical support for business process management organization

one of the prerequisites to solve this problem at the domestic enterprises is to improve the management of expenses in accordance with the new requirements of the system management of business processes.

The classification of costs in the system of accounting and analytical support should resolve main challenges with classification. Figure 1 shows the classification of costs, depending on the goals.

RESULTS AND DISCUSSION

Prime costs management: There are manufacturing and non-manufacturing costs. By the method of attributing costs to the cost of production direct (standard) and indirect (overhead) expenses: direct (standard) costs are determined and depend on the amount produced in the reporting period, units of production (works, services) and consist of material costs, costs payment of workers of the main production and other costs that are directly on the intended purpose can be attributed to the cost of the specific goods (works, services).

Indirect costs are not dependent on the volume of production and remain generally constant over a range of fluctuations of production or business activity and include costs that usually can not be directly attributed to the cost of the finished product.

At the time (periodicity) of production current production costs and non-recurring costs (lump sum) to current production costs are the costs necessary for the production of products, works and services; one-time costs related to the costs, once or periodically produced relating in particular to work for the protection and restoration, training and development of production of major overhaul of fixed assets.

These costs can be written off at the cost of a lump sum at the time of their manufacture or counted first in prepaid expenses and included in the production costs for a certain period of time on the basis of the calculation. Along with this, they can be classified as prepaid expenses and anticipated costs, the latter are included in the prime costs in the form of contributions to the reserves for future payments.

According to the degree of homogeneity costs are divided into single element and complex: single element are the costs that consist of a single element-materials, labor, amortization and complex-from a few.

Planning costs

Variable, semi-variable and fixed costs: The variables include the costs that vary in proportion to the volume of products, works and services (raw materials, wages of workers with wages depending on the volume of work, the electricity used to manufacture). At the same time, relative to a unit of goods (works, services) the value is constant.

Semi-variable costs are cost, the size of which increases or decreases in response to changes in output (works, services) but not in direct proportion to the volume of production.

Fixed costs are costs that do not depend on the volume (quantity) of goods (works, services) and remain generally constant over a range of output fluctuations and business activity (depreciation deductions for insurance, lease payments) (Kaverin, 2003). With respect to the decisions costs may be relevant and irrelevant.

Relevant costs: Relevant costs depend on the decision-makers. Relevance of costs depends on the circumstances and should take into account when planning how they affect the decision.

Irrelevant costs: Irrelevant costs do not depend on the decision-makers. For example, the cost of past service which can not be influenced and the majority of current costs which depend on the length of time (Mayer, 2003).

Depending on the dynamics of production costs are divided into incremental and marginal: Incremental are additional cost due to the increase in output. They may include additional costs arising from the specific decision (simple), incremental costs used in the evaluation of the development of new sectors of the market.

Marginal are the additional costs per unit of output. Marginal costs can determine the income limit that is the additional income from the sale of a unit of production.

Opportunity costs: Opportunity costs is imaginary costs and the possibility of their occurrence is only supposed but in good circumstances, they will not happen but they can occur the case of limited resources. Allocation of these costs allows you to get better information about the costs for management purposes.

Actual costs: Actual costs the costs that actually took place in the reporting period, they are supported by source documents (Needles *et al.*, 2003).

Depending on the degree of managerial decision-making, costs can have a direct link with the planning process in which the estimated costs associated with the implementation of industrial activity are considered in terms of their possible coverage plan and therefore should be subdivided into planned and not planned.

The planned costs include manufacturing costs of the company, due to its economic activities and provided estimates of production costs. They are included into prime costs according to rules, regulations, limits and estimates.

Unplanned costs are expenses not related to manufacturing and that are not inevitable and are not derived from normal business environment of the enterprise. These costs are considered as direct losses and therefore are not included into prime costs estimates (Shok, 2013). They are recorded only to the actual cost of production and the relevant accounts in accounting. These include the loss of spoiled goods in the manufacture of products, works and downtime. Their separate account contributes to the implementation of measures aimed at their prevention (Usatova, 2008).

Controls system are equally important in cost management, they ensure the completeness and accuracy of future action aimed at reducing costs and increasing efficiency.

By the degree of controllability costs can be divided into: regulated and unregulated. Regulated costs can be adjusted and reduced by the manager.

The division of expensive as effective and non-effective can have a significant impact on managerial decision.

Effective costs are manufacturing costs that yield revenues from the sale of those products on the issue of which were produced by these costs.

Non-effective costs are non-manufacturing costs that will not result in revenues, as the product is not made. These include the loss of spoiled goods, outages, shortage and damage to material assets.

Costs reduction heavily depend on the control systems, so some costs are divided into controlled and uncontrolled.

Of these types of costs form cost items that make up the full cost of production.

Management accounting and cost and are subject to the logic flow diagram of the movement of production costs for the flow from the element to the cost and, finally, to the support costs-calculation object (Fig. 2).

In fact, expenses fall into different places where they are formed into articles of prime costs and after all calculations are done are distributed to calculation objects.

Communication (a) is a primary phase of cost reflection where 2 arrays are grouped based on the information from primary source documents. One massive is formed on the basis of expense element, the other one on the basis of expense origin. In the organizational term, first one is recorded in financial accounts, the second- in the administrative account.

Communication (b) is a secondary phase of cost reflection where expense regrouping and prime costs calculation takes place based on the data on the production of products, works or services in the areas of expenses (local production of resource consumption). As shown above, the prime costs cannot be identified with the elements of cost, their grouping is performed for various reasons.

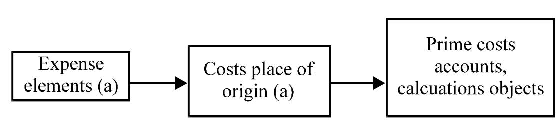

Fig. 2: Scheme of formation expenses

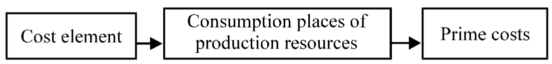

Fig. 3: Scheme of costs transformation

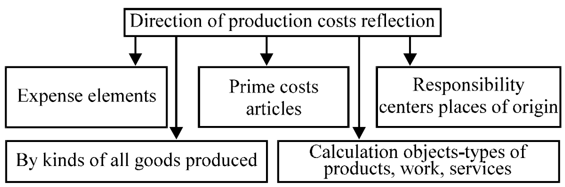

Fig. 4: Reflection of the cost in different directions

Management-cost production is possible only by controlling the consumption of resources in areas such consumption.

Figure 3 shows the system of conversion of cost element into prime costs. At the entrance of the system are production resources, information expressed in the form of cost elements.

Downstream is the manufacturing product where information expressed in the form of cost of production. In order to get the desired result in an output which is a certain level of production costs, it is necessary to manage the flow of resources to the input of the system, that is to follow the flow element to adjust their value within the specified limits. It is an elementary rule of management theory. Therefore, planning and control of production costs should be organized in the places of their origin, the centers of responsibility.

Costs of production are reflected in management accounting, at least in three directions, each of which is a separate isolated system of interconnected accounting records (Fig. 4).

Managerial cost accounting also needs to keep costs in the accounts as they are recorded in the financial accounts as the elements of costs.

CONCLUSION

Thus, one of the most important tasks of accounting and analytical support operational business processes is the observance of a sufficient level of reserves to maintain operations and preventing their oversupply.

Consequently, the system of accounting and analytical support of business process management of an economic entity and in particular managerial cost accounting should be done in three related but separate areas: the elements, place of origin, the prime costs and objects of calculation.

Thus, the problem of making effective management decisions in the food industry is of particular relevance in view of the high level of competition and the social significance of their products.

Strategically important task is to ensure the production of quality products, the implementation of which is impossible without setting an effective system for collecting, collating, compiling and analyzing information on the costs of production, the structure of the cash flow, the level and prospects for reducing production costs. This information is stored in the organization as part of a management accounting system which is an essential requirement puts forward the construction of algorithms for generating the necessary information to the specific manufacturing process.

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