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METHODS OF COST ACCOUNTING IN INTERNATIONAL PRACTICE

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Under the conditions of the international market economy and economic dynamism of the environment, special attention should be paid to the account of expenses for production (works, services). The correct method of cost accounting is necessary for determine the selling price of goods (works, services) to identify the feasibility of their production and sales, profit planning and competitiveness in the world market.

In international practice, the use of the following cost accounting methods are widespread:

1. Standard costing
2. Direct costing
3. Just in time system
4. ABC-costing
5. Value analysis
6. Target - costing
7. Kaisen - costing

Let's consider the details of each of them. The first and most common method of cost accounting is standard costing, which is widely used in Western countries with developed market economies. In Kazakhstan on it's the basic method of standard account of production costs has been developed and successfully used. It is indispensable in industries where resource prices are relatively stable, and the products themselves are not changed for a long time - at the enterprises of processing industries, clothing, footwear, furniture production and other.

The Standard costing is a system appeared in America in the early 30s of the twentieth century, when the United States experienced an economic crisis. "Standard" is the amount required for the unit production costs; "Costing" is the monetary value of these costs.

The basis of the standard costing system is based on the following principles:

1. the preliminary valuation of the costs elements and cost items;
2. the drafting of regulatory calculations on the product and its component parts;
3. separate accounting standard costs and variances;
4. analysis of variance;
5. update calculations when changing the norms.

Standard costs are based on the expected costs of the resources needed for production products, the application rates are set based on cost of one product. In general production costs consist of several diverse cost items. The rate of application being developed for a certain period in the monetary evaluation and, based on the planned production volume.

Direct costing takes the second place on popularity. It is used in enterprises where there is no high level of fixed costs, and where the result of the work you can easily identify and quantify. Widely distributed in all economically developed countries. In Germany and Austria, the method has received the name "partial cost accounting" or "stocktaking the amount of coverage", in the UK it is called "stocktaking the marginal cost" in France it is called "Accounting margin" or "margin account". This method is now being increasingly used in internal accounting to analyze and inform management decisions in the area of the break-even production, pricing, etc.

The actual introduction of "direct costing" system in the US refers to 1953, when the National Association of Accountants calculators in their report published the description of this system. The method is based on the calculation of the reduced cost of production and the definition of marginal income.

The up-to-date system of direct costing offers two types of accounting:

1. simple direct costing, in which only the direct variable costs are included in cost of sales
2. developedof direct costing, in which are included in the cost of direct and indirect variables and variables of general expenses.

Accounting for the net cost is considered in the context of the variable costs. Fixed costs are reckoned by the whole company, and they are referredto a decrease in operating profit. In the application of this method profit margins and net income are determined. [1]

Just in time system is a less known, but also popular method. It appeared in Japan in the middle ofthe 70s. Currently JIT system is used by the major Japanese, American and European companies in various industries.

The system is based on the principle: manufacture products only when it is needed in aless amount than it is required. The method of "just in time" is based on the concept of logistics - "nothing is produced, until the need arises" Refusal of producing the product in large quantities. Purchasing of production is carried out in small batches according to the necessity, which results in a decrease in the level of stocks of inventory.

Using this method allows the company to get rid of unnecessary costs by reducing unproductive expenditures, which consist, in particular, the issue of over-production, downtime of equipment and personnel, the contents of unnecessary storage space, the losses associated with the presence of manufacturing defects. Meanwhile, the demand accompanies products throughout the production. Stocks are delivered to their use point in a manufacturing process. Some indirect costs are transformed into the category of lines. The emphasis is laid on quality, availability and total cost of production, not on the level of procurement prices. [2]

The following foreign method that has proven itself well is ABC-costing (Differential costing method). Accounting method got its spread in the 1980s. It was developed by American scientists R.Kuperom and R.Kaplanom. Currently, it is actively used by about 10% of large companies in the US, UK, Europe and Australia. This method attracts interest of enterprises, focused on the creation of a strategic competitive advantage.

Activity Based Costing, or differential costing method is to integrate the costs of work (functions). The company is considered as a set of working operations, the implementation of which is necessary to expend resources. The essence of the method is to examine the relationship between the costs and the various production processes.

According to the procedure determined by the complete list and sequence of operations (functions) with simultaneous calculation of resource requirements for each operation.

There are 4 types of operations in a manner of their participation in the production of products:

- piece work (producing products)
- batch operation (production of order, complement)
- product work (products qua)
- general economic work

Options 1-3 relate to costs that can be directly attributed to a particular product. Total economic costs can not be accurately classified, so they are distributed according to the algorithms.

Next is another method widely used in the world –Value analysis. It has been actively used in industry since the 60s, especially in the United States. Now the VA is one of the most popular types of articles analysis and processes. It may be useful where a large part of the costs constitute overheads (for example, service industry), but not direct costs.

Key concepts used in its application:

The function in the broadest sense is activity, duty, work, assignment, role. VA under the function means to the external manifestation these properties of the object. The essence of the method of VA is an analysis of costs for the product of its functions. All objects are treated as a set of functions that they must perform. Functions are assessed for the need and usefulness and are divided into:

1. basic (define purpose products)
2. support (help to perform basic)
3. unnecessary (do not contribute to the implementation of the basic functions).

The goal of VA is the development of useful functions at the optimum ratio between their importance to consumers and the costs of their implementation.

VA is performed for existing products and processes to reduce costs without loss of quality, as well as for developed products in order to reduce their cost.

VA includes the following stages:

- collection of information about the features of the object (the information of appointment, technical and economic performance, cost, etc.)
- the study of functions (degree of utility) to develop proposals for improving the object of the analysis (cost savings by eliminating unnecessary features).

The next in the list of cost accounting methods is Target-costing. Target costing system appeared in the 60s of the twentieth century in Japan. In the 80-s it spread in the United States. Today, it is distributed worldwide in companies, worked in innovative sectors (motor industry, mechanical engineering, electronics, computer, digital technologies) and service sector.

Target costing is used in the design phase of a new product or upgrade aging products. The basis of the idea of target costing is the concept of target cost and its calculation formula:

$$\text{COST} = \text{PRICE} - \text{PROFIT}$$

Target costing considers the cost of not as an advance indicator calculated by the regulations, but as a value to which the organization should seek, that to offer the market a competitive product. Therefore, the task of target costing is the development of products (services), estimated cost of which is equal to the target cost. If a new product can not achieve the target cost, without compromising the quality, it will not be developed and put into production.

The stages of target costing are:

- Marketers identify possible market price of the product. The analysis of the volume of sales and production planning scale market.
- The value of the expected profit per unit of product (and output) is set and and the target cost of the product are calculated which is the maximum value of the cost under the given market conditions.
- The estimated cost of the product (cost, the required production technology) and its reduction to a target cost through the use of alternative materials, design, technical and technological solutions are calculated. Drifting-costs (production costs of each component of the new product) is also defined and their optimization is carried out.
- Development and testing of the model product t having the target net costs.
- The decision to start producing of a new product.

If it is possible to achieve the target cost or the difference is up to 10%, a model product is made and the decision to launch into production is taken. If the target cost is not achieved, the product development is stopped. [3]

The last in this list of methods of accounting of production costs (works, services) is Kaizen-costing, as well as target costing, it was originated in Japan in the second half of the 1980s. Using Kaizen costing is possible in almost any branch of industry and, more importantly, in conjunction with other methods of cost management.

Kaizen costing (in Japanese "improvement in small steps") is a process of gradual reduction of costs at the production stage, in which the required level of cost and ensured profitability is achieved.

Kaizen costing is used in the Japanese model of management accounting in parallel with the target costing. Both systems have the same goal - to achieve the target cost: Target costing is used at the design stage of a new product, Kaizen costing is used at the stage of product production.

If in the design phase the difference between the estimated cost and the target net costing makes 10%, then a decision is taken that the production of such product starts with the expectation that 10% will be eliminated during the manufacturing process by the Kaizen costing. Reducing the difference between the estimated cost and the target net costing is called kaizen-task that concerns the entire staff of the organization from engineers to managers and the implementation of which is properly promoted through the personnel management system.

Kaizen-task is defined in the planning phase for the next fiscal year when production plans are developed. Kaizen-task is placed at the level of each product, as well as at the enterprise level in general on separate products of the variable costs. Fixed costs are calculated along individual units and are grouped in special budgets. Using fixed cost data of the kaizen-tasks and budgets of the fixed costs, experts will make the annual budget of the enterprise. [4]

Thus, there is quite a lot of methods for calculating the cost of finished products. It is important for management of enterprises to realise the differences between them, as well as to understand exactly how the choice of a particular method will affect the financial results of the company. All of the above methods of cost accounting are the best in international practice, and the companies that used them competently were able to survive the economic hardships and became competitive in the international markets. Some of the ideas underlying the foreign methods of cost accounting are used in the Kazakhstan enterprises now.

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