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PRINCIPLES OF MANAGEMENT ACCOUNTING OF EXPENSES AND THEIR IMPROVEMENT

Abstract: Accounting and administrative cost management model may include the following components: measurement of business transactions, application of concepts of financial and management accounting, financial and communications information management accounting. The model should meet the requirements of information systems: an integrated performing of the functions of collection, storage, processing and providing of accounting information. It is closed; serves circle of persons responsible for management decisions; it has feedback module manager accounting.

Keywords: principles, management accounting, expenses, improvement.

The development of market relationships intensifies the barest necessity to consider the essence of administrative accounting organization. The scientists put special emphasis on the subject matter, administrative accounting objects, and the principles of its organization and conducting [7], accounting definition in the system of accounts [1], the matter of economic and elementwise approach [3], the main constituents of organization of the administrative accounting of spending and income [5].

Considering the economic essence of administrative accounting in historical and modern context one can assert that administrative accounting of spending is the information system which ensures the economic ground of administrative decisions of managers of different levels.

Assuring the active evaluation of the subject's activity the administrative accounting of spending complies the functions of economic plans, predictions and estimate substantiation. It is significant that having the wide set of various means, the administrative accounting is limited by the circle of inner information users.

We agree with scientists who consider that administrative accounting should not be confronted with productive (Table 1).

Three basic administrative accounting rules are singled out by the world's practice of administrative accounting: approach application from the position of efficiency; equivalent attention to the managers' behaviour and hardware realization of administrative decisions; introduction the conceptions of different spending for different purposes [4, pp. 38-40].

Table 1. Main differences of administrative and productive accounting

Properties	Administrative accounting	Productive accounting
Accounting purpose	Providing data for making certain administrative decisions.	Making calculation. Providing information for evaluation of the deviation from plan, estimate.
Main users	Managers of appropriate levels; accounting workers, internal chartered accountants.	Works manager; accountant of prime cost calculation.
Accounting means	Methods and techniques of accounting in the meaning of analytical aspects of administration.	Methods and techniques of accounting.
Scope of application	Comparison of applied cost with expected income with the purpose of evaluation of the functional efficiency of single structural subdivision (responsibility centre). Has the influence on the financial enterprise activity: price formation policy, assets administration, range structures, formation of own financial resources, investment activity, etc.	Provides the deviation evaluation of sustained amount of expenses from the plans, estimate. Does not set as an object the simultaneous collation with expected income for financial result determination.
Form and matter of reports	Dependence on the essence of administrative problem, and also on competence, experience, psychology of a manager.	In most branches unified.
Periodicity of drawing up accounts	According to organizational level of administrative accounting, periodicity of occurrence of the administrative problems.	Well-defined by the statements of accounting policy and depends on productive process organization.

Source: author's own work.

Methodological aspects of administrative accounting in Ukrainian enterprises can be formulated in accordance with administrative accounting requirements: correspondence with administration requirements, constant improving, active influence on the administrative system in support of its utility [5].

One of the main requirements for the administrative account is active influence on the management system for continuous affirmation of its functional utility. Accounting model has to fulfil valuable information resource management: objectivity of forming the informative source, correction of the direction of its movement, processing speed and transmission speed, intensity, etc., that is possible only with issues in the organizational and methodological aspects of management accounting in the enterprise: the development of regulations on management accounting, distribution of responsibilities, establishment of responsibility centres, developing models of management reporting, clarification of certain stages of document circulation in order to enhance control and analytical functions of management, etc.

Administrative consulting researches of “Informkontakt” company (Russia) confirm that in 1990s three methodological approaches concerning administrative accounting in market conditions were originated on the basis of common theory of management system in most countries which were established after the USSR breakdown. These approaches are: Activity Based Costing (ABC), Target Costing (TC), and Strategic Cost Management (SCM). The development of administrative accounting in the market conditions caused the constituents shift from informational provision of operative management to strategic provision. The new accounting methods, satisfying modern administrative theories are applied. They are: Theory of Constraints (TOQ), “Just-in-time” (JIT), Total Quality Management (TQM), Activity Based Management (ABM). These theories are subordinated to the management and marketing aims, which meets the best the requirements of modern economics of the country and the world. But for Ukrainian enterprises it is new.

Choice substantiation of spending accounting is the organizational basis of administrative accounting of spending as a subsystem of informational ensuring of spending administration in conditions of transition into new administration standards. Cost accounting system and the output cost include the organization of the accumulation, recording and grouping costs; output cost according to a selected set of methods and tools of cost management and prime-cost (Table 2).

Table 2. Basic systems and methods of spending accounting and production prime-cost costing

Basic systems of spending accounting	Methods of spending accounting and production prime-cost costing
Factual calculation	Costing the factual prime-cost
	Costing standard prime-cost
	Standard-cost
Insertion completeness of spending to prime-cost	Total cost
	Non-total cost
	Direct-cost
Costing objects	Operational costing
	Offer costing
	Processes costing
	Redistribution costing
Target direction	Target-cost
	Kaizen-cost

Source: the author’s own work.

The selected system of spending accounting and output cost determination makes the methodological basis for the system of managerial accounting of production enterprise. A. Kelmes for the first time identified the system of spending accounting and costing system [6, p. 170].

The system of spending costing “standard-cost” appeared at the beginning of the 20th century as a means of spending control. The principle of spending accounting and controlling within established standards and deviation from them lies on its basis (F. Taylor, Ch. Harrison). The main features of “standard-cost” system are the following: established standards are relatively permanent and change only for substantial reasons; accounting standards changes are not made, found deviations are written off on financial results; the system is aimed at the improvement of marketing service.

The system of standard cost of production, which functions in Ukraine, has the following features: standards system corresponds with the administrative conditions; standards changes are considered factual costing; found deviations are related to the corresponding spending article; the system provides the improvement of enterprise cost records and productive spending control; deviations are documented. So, the main advantage of the cost of standard poultry farms in the country’s modern business environment is the direction for improving internal accounting and control.

The grouping of the systems of cost spending is new for the administrative experience [4]. Costing of total productive prime-cost foresees inclusion of all productive spending. Costing of partial spending foresees inclusion to products’ prime-cost only changeable productive spending. The calculation of incomplete costs provides the inclusion of the changeable productive costs to the products’ prime-cost. That gives opportunity to influence on the formation of the financial result; allows getting information for explanation of administrative decisions. Direct costing is the accounting system that allows identifying partial prime cost and evaluates the marginal income [5, pp. 133, 250]. Key features of the systems are: it is based on the cost grouping for direct, indirect variables, indirect constant; fixed costs are not included to the prime-cost and written off on financial results for the period in which they arise, provides an opportunity to support the relationship “sales–costs–income”, marginal income calculation estimates the expediency of increasing the volume of a particular kind of production in future periods, provides information to predict the profitability of production.

In practical implementation of direct costing difficulties arise when justifying the cost of group fixed and variable. Inclusion of changeable spending only to productive prime-cost was substantiated by founders of direct-costing (J.M. Clark, P. Rebel, V. Neikirk), to their minds “only changeable spending forms the real prime-cost of product” [2, p. 64]. But the practice proves that direct and changeable spending cannot be equated. Thus, according to the point P(S)BO 16 “Spending” equipment amortisation of general productive destination belongs to indirect spending, which can be divided between kinds of finished products. But amortisation, which is counted by productive method, depends on the volume of output. Therefore, we believe that the incomplete prime-cost must include the direct variable costs only, because the amount of indirect costs accounted for a separate type of product depends on the economic underpinnings base distribution. Determination of the financial result

according to spending accounting system and costing the partial prime-cost will be as follows: *Income from selling* – changeable direct spending (partial prime-cost) = **Marginal spending** – constant spending = *Spending (determent)*.

Evidently, the system of cost accounting and calculation of incomplete prime-cost is oriented on realization. Direct dependence of sales revenue and evaluation of finished products only variable direct costs requires companies to seek reserves increase.

Prime-cost costing for changeable direct spending provides the control of constant spending, allows to reveal the weak points of system which controls the responsibility centres, economically unprofitable operations, etc.

Thus, cost accounting and cost calculation of incomplete prime-cost are in compliance with the main tasks of management cost and allow:

- to provide administration of an enterprise with information necessary for decision-making with regard to its economic consequences;
- to control the real spending level in comparison with its standards in order to foresee the deviations and formation of new strategy for the future;
- to calculate the prime-cost for evaluation of finished products and financial result determination;
- to explore and evaluate the economic results of productive activity of organization department within the framework of active administration;
- organize the management accounting information for long-term decision-making (return on production technology and products, profitability range, effectiveness and investment in inventories) [8].

The development of market conditions makes necessary to consider other cost accounting system and costing of products. This is ABC-costing; the question of economic substantiation of distribution base choice remains unresolved. Among the modern methods of cost management in international practice the most widespread are IRP-system, activity-based management method (ABM), Value Budgeting (ABB), a method of cost management for minimization (SC), administration, which aims to create the value (VBM), target-costing, others which require implementation in practice. But their application to the domestic conditions of administration demands the revision of conception of the enterprise cost management.

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ZASADY RACHUNKOWOŚCI ZARZĄDCZEJ UKIERUNKOWANEJ NA WYDATKI I MOŻLIWOŚCI JEJ USPRAWNIENIŃ

Streszczenie: Model wspomaganie zarządzania powinien generować odpowiednie informacje dotyczące kosztów. Powinien zawierać następujące elementy: wycenę transakcji handlowych oraz stosowanie koncepcji dotyczących zarządzania finansami, rachunkowości finansowej i rachunkowości zarządczej. Model ten powinien spełniać wymagania systemów informatycznych: zintegrowanego wykonywania funkcji pobierania, przechowywania, przetwarzania i dostarczania informacji rachunkowych. Jest to system zamknięty, służy kręgowi osób odpowiedzialnych za podejmowanie decyzji zarządczych, posiada moduł menedżera oraz księgowania.