

COST MANAGEMENT

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Abstract: This article is about cost management and its primary significance as a measure of project success. Cost is the universal and most highly visible performance metric for indicating project success. Cutting costs is the simplest way to improve bottom line. Introducing a cost control system can bring immediate savings and make sure that you remain competitive in the longer term. But cost control needs to be carefully managed. Whilst it clearly helps to cut wasteful activities, careless cost cutting can lead to falling quality and poor morale. Cost management requires processes and methodologies that can only function with information development and knowledge hand-off and enhancements. This is made possible through the deployment of assignment, collection, assessment, analysis, and strategic decision making processes.

Аннотация: В данной статье рассматривается процесс управления затратами, его первостепенное значение во влиянии на результат деятельности организации. Уровень издержек является универсальным и наиболее очевидным показателем, определяющим успех проекта. Сокращение расходов является самым простым способом для увеличения прибыли. Внедрение системы управления уровнем издержек может принести значительную экономию и обеспечить уверенность в том, что компания будет оставаться конкурентоспособной в долгосрочной перспективе. С другой стороны, контроль за расходами требует тщательного управления. В то время он также явно помогает сократить количество бесполезных действий, но небрежное сокращение расходов может привести к ухудшению качества продукции и способен подорвать ее имидж. Управление затратами требует использования определенных процессов и методологий, работающих только при наличии достоверной информации по вопросам обслуживания и усовершенствования производительности. Управление издержками осуществляется посредством сбора, оценки, анализа и в результате осуществляется принятие стратегических решений.

Keywords: Cost management, anticipated costs, cost calculation, payroll, costing items.

Ключевые слова: управление затратами, планирование затрат, калькулирование затрат, фонд заработной платы, калькуляционные статьи.

This article addresses cost management. The purpose of this paper is to identify and highlight primary significance of cost as a measure of project success. All projects are managed and measured by success criteria of several types. Cost is only one of many important metrics—but cost as a resource, and as a measure, possesses unique attributes. These differentiate it from other project measures and requires unique considerations and methodologies in order to provide for its effective management. Cost is the measure that is most often presented and is widely understood as an indicator of how well a project is performing. The main goal of any business is to achieve maximum profit, which is the basis and source of funds for further development. The economic result in a general way is defined by the difference between the income from the sale of goods (works, services) and the cost of their production and sales, so it is difficult to overestimate the importance of cost analysis and management in enterprises.

Cost Management is estimating and particularly controlling costs. Cost management is the process by which companies control and plan the costs of doing business. For a company's management to be effective overall, cost management must be an integral feature of it. It is easiest to understand this concept if it is explained in the context of a single project. For instance, before a project is started, the anticipated costs should be identified and measured. These expenses should then be approved before any purchasing occurs. During the process of completing a project, all incurred costs should be noted and kept in a record of some kind, to help ensure that the costs are controlled and kept in line with initial expectations, to the extent that this is possible. 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. Starting a project with cost management in mind will help to avoid certain pitfalls that may be present otherwise. If the objectives of the project are not clearly defined at first, or are changed during the course of the project, cost over-runs will be more likely. If costs are not fully researched before the project, they may be underestimated, thereby inflating the expectation of the project's success unrealistically. Construction projects are subject to their own particular challenges; these can include constraints in the form of laws and regulations that must be planned around. If the project is completely and clearly defined, this will facilitate effective management of the costs it will incur. Effective cost management strategies will help a team deliver a finished project within the allocated budget, while also making it as valuable as possible to the company. There is always the possibility of unexpected costs, but preparation in the form of cost management will likely make them much easier to deal with when they occur.

The process of cost management is not a simply cost minimization, which can lead to decline in production. Thanks to efficient use of company resources and their savings, can be achieved profit maximize on all stages of production. Statement of the process of cost management in the company is to recognize the cost of their account, group, presenting them in a form suitable for further analysis and decision-making. Thus cost management involves the implementation of a complex function of the management cycle aimed to improving efficiency in the use of productive resources in the enterprise.

Costs characterized in monetary terms by amount of resources for a certain period used for the production and marketing of products, and are transformed into the cost of goods, works and services. The subjects of cost management process are the leaders and specialists of enterprises and production units (enterprises, shops, departments, regions). Some features and controls costs run enterprise employees. The object controls are actually costs the organization for the development, production, distribution, use and disposal of products (works, services), as the process of their formation and decline. As a result, the cost management system is the target, multi-tiered system, where the control object - the cost of the organization, and the subject of cost management - the control system.

The main objectives of this system can be: calculation unit cost of products (works, services) - cost calculation, search for reserves to reduce costs at all stages and phases of the production process, the choice of methods for the valuation of costs, the definition of the main methods of cost management, bringing the cost analysis with to make management decisions to improve production processes, the formation of assortment and pricing policy, optimization of capacity utilization, forecasting production and marketing of products. By following the principles of cost management system, it is possible to create a solid basis for economic competitiveness. For this it is necessary to control costs at all stages of the product life cycle - from creation to disposal; avoid unnecessary costs; smoothly implement effective methods to reduce costs, improve information provision on the amount of costs.

The purpose of cost management is to achieve the intended results activity of the enterprise the most economical way. The main functions of the cost management system should be considered as forecasting and planning, accounting, control (monitoring), co-ordination and regulation, and cost analysis. Organization - a key element of good governance. At this stage, the centers of the cost and responsibility centers are determined. Cost Center as objects of norm setting, planning and cost accounting to monitor and control costs of production resources (a job, a car, machine, conveyor line). Cost centers are the primary manufacturing and service units, while uniform functions and manufacturing operations, a comparable level of technical equipment and the organization of labor, orientation costs. There are four types of responsibility centers: cost centers, revenue centers, profit centers and investment centers. The basis of this classification criterion is the financial responsibility of their heads, which is determined by the breadth of their powers and full responsibility. Accounting as part of cost management is needed to prepare the information for making the right decisions. In its development, production accounting transformed into management accounting, which is the active tool management. Function testing (monitoring) in the cost management provides feedback to compare planned and actual costs. Cost Analysis is an element of control functions preceded managerial economic decisions and actions, justifies, and prepares them to evaluate the effectiveness

of the use of all the resources now, to reveal the reserves to reduce production costs, to prepare materials for rational management decisions. [1]

To determine the level of expenditure on the facilities management, organization planning, accounting, control and analysis, it is necessary to differentiate them in various aspects, that is, to classify expenses for management purposes. Costs of production are grouped first by kind of activity: industrial, transportation, commercial, etc. For management purposes, the cost of the enterprise most often grouped in two ways: economic elements; calculation items cost. The grouping of the costs of the economic elements will combine the individual costs on the basis of their homogeneity, without regard to what and where they are spent. In forming the costs on ordinary activities using the following cost elements: material costs minus the cost of the return of waste, labor costs, fringe benefit expenses, depreciation, and other costs. The cost structure on economic elements reflects the material-, labor-and capital intensity of production. The grouping of the cost of items of cost calculation provides an allocation of costs associated with the production of certain products that are attributable to the cost of production directly or indirectly. This group allows you to define the technological, workshops, industrial and commercial (full) cost and should provide the best possible allocation of costs. [2]

To more accurately determine the estimated amount and the cost structure, the company must build a system of budget planning, control, and cost analysis, and financial resources, this process is budgeting costs. The budgeting system covers the company as the production units and functional services (departments) and non-industrial units of the group. In order to establish a system of cost management through their budgeting mechanism should be established at the enterprise-through system of functional budgets: payroll, material costs, energy consumption, depreciation, other expenses.

The management of costs should include a set of methods that are ahead of influence on the structure and dynamics of their costs to the decline. The mechanism of cost management - building domestic economic accounting of income and expenses for the enterprise and in the context units, which allows to identify the actual financial results of the company. There are a lot of modern costs management methods. For instance, standard costing, direct costing, the method of production management system just-in-time (JIT), value analysis (FCA), Strategic Cost Analysis (SCA), cost accounting works (ABC), the concept of control life cycle costs (LCC). [3]

In general, the main advantages of cost management are: the production of competitive products due to lower costs, the availability of information on the cost of individual products and their position in the market, the ability to use tiered pricing, to provide objective data for the enterprise budget, the ability to assess the activity of each unit of the enterprise with financial point of view, the adoption of sound and effective management decisions. Thanks to efficient cost management is achieved savings of resources, reduced production cost and, as a consequence, increased revenue and profitability. Cost reduction is a more effective tool to increase profits than the increase in sales volume. Reduce the cost of production of a unit of production provides an important competitive advantage - the ability to use lower or flexible prices. Summing it up, cost management in the current conditions of the economy and an increasingly competitive environment is important and significant, provides prospects for the company.

Cost is the universal and most highly visible performance metric for indicating project success. Cost is also the most competed for corporate resource. Cost is considered as a finite resource. As such, project management and project controls professionals must be willing to expend the effort and intelligence necessary to properly manage it. Often mistaken for or confused with cost management, cost accounting differs greatly. Cost accounting provides a record and history of expenditures but does not by itself manage and control final cost at completion outcomes. While providing a necessary and beneficial function, it is best used as a platform for effecting a cost management process. Cost management should be regarded as a process requiring the integration of separate discipline methodologies and the involvement of many persons who are both part of and external to the project team. Meaningful cost management requires thinking and acting outside the project. This implies that cost and benefits be considered in total and not limited to a project's capital budget, that organizational requirements be considered, and that the sometimes competing goals between projects and corporate entities be optimized and aligned. Effective cost management requires the implementation of methodologies and steps that are repeatable from project to project and can be integrated with organization goals. [4]

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