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The Importance of Cost Behavioral Information to Improve the Efficiency of Factory Management

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Abstract

The article provides a critical analysis of the information needs of management in the formation of information for making management decisions while reducing production costs. The problem of correct assessment of current and future costs in order to substantiate the feasibility of the decisions made has been identified. The stages of formation of information on the values of variables and fixed costs associated with the adoption of managerial decisions are highlighted. Analyzed the difficulties arising in predicting future costs.

Keywords: *cost management, cost reduction, cost behavior, cost accounting, cost dynamics, variable costs, fixed costs, management decisions*

Introduction

In a market economy, large-scale implementation of measures for modernization, technical and technological re-equipment of production in almost all sectors and spheres of industry expands the possibilities of producing competitive products. The high rates of development of the world economy and its features require a professional approach to the revitalization of the enterprise. This topic touches on the most important element of enterprise cost management policy, namely strategic cost management in the enterprise in a competitive environment. The main task of enterprises is to increase their income, organize long-term efficient work and ensure the functioning of enterprises in the most favorable conditions. [20, 21]

Making the right management decisions for the above task, it is very important to correctly predict their results. In the absence of the necessary information base and resource, mistakes made when making decisions can lead to a loss of a firm's position in the market, a decrease in consumer confidence, as well as a deterioration in its financial position. For a decision-maker, first of all, the ability to foresee the financial result and the consequences of their implementation is required, which is directly related to the costs and revenues of the enterprise: in countries with developed economies, firms and companies spend almost 90% of their working time in the field of accounting for organizing and management accounting. [1]

In the future, the decision-maker must clearly understand the reasons for changing certain costs in order to correctly assess their cost. In other words, any attempts to make a decision without a real assessment of the level and dynamics of changes in costs are doomed to failure.

At the stage of preparing management decisions and developing alternative options for using resources, an analysis of the costs of the enterprise is required, which allows not only to determine their relationship with the field of activity, but also the cost structure, variable, fixed and mixed costs determine the amount of total costs. Another important issue is especially important for the preparation of management decisions related to changing the volume of products, obtaining additional orders, attracting investments in the modernization of equipment, etc.[5, 11, 17]

The purpose of this study is to establish the main criteria for evaluating data on the actual and expected costs of the enterprise, necessary for the correct forecasting of the results of management decisions.

Methodology and methods

The theoretical and methodological basis of the article was the work of leading Uzbek and foreign scientists devoted to the problems of organizing accounting and analysis of cost management, in particular, the preparation of information for making management decisions. [2, 3, 4]

Research includes the method of scientific abstraction, analysis and synthesis, induction and deduction, and a systems approach. The main problems faced by the management of manufacturing companies were analyzed; various management decisions were made, leading to changes in the structure and level of costs.

As a result of the analysis and generalization of the data obtained, proposals were developed for organizing a sequential analysis of actual and expected costs based on the use of the most important criteria for assessing their relationship with the decisions made. The implementation of the proposals makes it possible to form a high-quality information base for making effective management decisions and correctly assessing their consequences.

Analysis of approaches to assessing financial costs when making management decisions. For a correct assessment of future costs, it is necessary, first of all, to distinguish between their functional dependence on the level of business activity, that is, on the volume of activities of all existing and expected publishers.

As K. Ward notes, "it is easy to guess if there is a reliably established relationship between the input costs and the costs of subsequent production resources. This relationship is due to the technological features of the production process, which make it possible to accurately predict the consumption of various resources at one or several levels of production. Thus, "deviations from the expected volume are due to the relative efficiency of production and not an error in predicting interdependence" [6].

The classification of costs by the volume of activity is widely used in economics, but its practical application often causes certain difficulties [7, 8, 9].However, there are also costs that are directly related to each unit identified as an indicator of economic activity, but the value of which depends on the volume of activity through a batch of products, the number of accepted and completed orders and other parameters, and the costs are not associated with each calculation unit, but with their group, for example, with a part of the products [10, 19].Examples of such costs include transportation costs, equipment handling costs, product quality control, and the like. such costs should be characterized as conditional variables, since for calculating variable costs and marginal profit, their value is conventionally taken as the level of economic activity, that is, as a variable.

As for fixed costs, their value per unit of activity always fluctuates - depending on the specific volume of production. Therefore, when making a decision, it is recommended to take into account the allowable costs in full, without distributing them between the units of production, [12, 13] the value of fixed costs does not depend on the volume of activities, but depends on the period to which they relate. For example, the amount of rent will depend on whether we pay it monthly or quarterly. When you stop production, most of the production costs are reduced or disappear altogether, but the fixed costs remain the same. Therefore, they can be defined as periodic. For the most part, fixed costs "depend on the quantity used, not the quantity of resources purchased," so their cost is often determined by "the planned rather than the actual level of activity" [14].

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In addition to assessing the functional dependence of costs on the degree of activity, it is necessary to take into account the period associated with the adoption of a managerial decision: depending on its duration, the information may not correspond to the real situation.

Variable costs, for example, changing in proportion to the volume of production or representing another expression of the level of economic activity of the enterprise, K.Drury calls short-term variable costs, which show that their linear dependence on the volume of activity remains only in a limited range and is displayed in completely different ways with a significant changes in activity [15].

He also noted that if we consider a very short period of time, equal, for example, one month, then any costs can be estimated as constant, regardless of the level of business activity, and vice versa, in the long term, all costs will respond to changes in the volume of activities and, thus are related to variables [15].

However, speaking of fixed costs, it should be borne in mind that they can differ in their role and nature and therefore should be evaluated differently when evaluating a management decision. In particular, one can single out long-term fixed costs associated with capital investments made for the creation or acquisition of buildings, machinery, equipment, as well as for hiring highly qualified personnel. These costs include depreciation and maintenance costs (including insurance premiums and taxes), and executive salaries. As a rule, these types of costs cannot be reduced in the short term, since even during the economic crisis, enterprises try to avoid making decisions to reduce their non-current assets, since in the future, the costs of their restoration significantly exceed the funds received as a result of such a reduction. These costs not only do not change under the influence of current decisions, but, as a rule, do not require increased attention from management, since they do not require much effort to control them.

Thus, we can conclude that long-term fixed costs are directly related to strategic management decisions and require more caution than existing (optional) ones, which can be adjusted depending on the specific situation in which the company arises.In other words, when planning costs long before the beginning of the reporting period, the information may become significantly outdated at the time of actual consumption of resources, and therefore planning the main actual analysis of the current control of variable costs will be uninformative.

In general, the stages of forecasting variable and fixed costs associated with the decision are shown in Table 1. [16]

Table 1 Stages of estimating the cost of variable and fixed costs associated with making management decisions

1 - stage	2- stage	3 - stage	4 - stage	5 - stage
Determining the main indicator of business performance, costs are grouped	Distinguish between variables, conditional variables, fixed and conditional costs	Determination of standard values of variable costs depending on the unit of entrepreneurial activity	Change of the existing level of costs in connection with the adopted decision or determination of the emergence of new fixed costs	Determination of the total forecast value of changes in costs as a result of making a management decision

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In our opinion, fixed costs for making management decisions should be subdivided into risk categories:

Category 1- expenses that do not entail serious consequences for the business;

Category 2 - reduction of this group of expenses can have negative consequences, therefore, it can be carried out only in the short term;

Category 3 - the decision to reduce them can have major business consequences that will ultimately be made only in a very short time.

Such an assessment will help to avoid mistakes in reducing costs, which can have negative long-term consequences for the company's operations.

If we talk about a crisis situation, then to assess management decisions and choose one of the possible alternatives associated with additional costs, the following rule should be used: "it is necessary to make decisions that allow you to receive income in excess of fixed costs" [15].

Evaluation of the magnitude and behavior of costs is often associated with the decision to start the release of new types of products, as well as changes in the existing structure of sales and the range of products. In this case, it is important to correctly determine the costs associated with individual products, both new and already supplied to the market, especially for companies that produce a wide range of products and services.

Establishing the correct cost level is associated with determining the profitability not only of the product, but also of the individual customer. One and the same product supplied to different customers, the use of a special system of discounts, preferential payments, the client's remoteness from the company's warehouses, additional storage, delivery, service, etc. k. It is important to understand that factors such as cost can have different costs that can be affected:

- It is recommended to include in the price of products not only production costs, but also those that do not include production costs;

-As an object of calculation related to the costs of the company, it is possible to single out not only specific types of products (works, services), but also an individual client, if the terms of service of the company are individualized for the client.

Another important issue related to the preparation of information for making management decisions is the distribution of costs and expenses that do not add value to the product, that is, the costs that make up the added value, or the creation of the consumer value of the product.This cost ratio is very important for the company and can become a serious competitive advantage in a shrinking market due to a decrease in the purchasing power of customers.

Conclusion

To make management decisions, it is necessary to have a clear understanding of the models of costly behavior that involve planning certain levels of costs associated with making a decision.

The quality of price assessment and, therefore, the justification of management decisions is of particular importance in a highly competitive market for goods and services. To correctly predict the financial results of the actions performed, it is necessary to consistently analyze the dependence of the level, composition and structure of costs on various factors.An assessment of the costs associated with the actions taken should be carried out both in the current and in the long term.

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For example, decisions related to the acquisition of non-current assets require a preliminary assessment of the strategic benefits of using these assets, as well as the risks that can be realized in an unfavorable situation. In particular, it can be a competitive advantage by reducing production costs, increasing production volumes, using a smaller labor force or attracting less qualified personnel, reducing the duration of the production cycle, faster order processing, and increasing customer loyalty. Particular attention should be paid to the relationship between receipts of future income and expenses associated with the company's customers, and not with products.

A correct assessment of future costs in relation to the adopted management decisions allows, on the one hand, to qualitatively improve the efficiency of resource use, and on the other, to consistently implement the strategic goals of an economic entity.

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