

MODERN METHODS OF COST FORMATION THROUGH COST MANAGEMENT.

<https://doi.org/10.5281/zenodo.12170211>

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INTRODUCTION

"Price is a monetary representation of the value of the commodity. The price is determined by the value of the commodity, but in market conditions it may be higher or lower than the actual value. This depends on the demand and supply of that commodity in the market. Another aspect of the price function is a measure of value, in which the costs incurred and the result obtained are calculated using some price."

At present, there is a need to develop the modern systems of developed countries in the economy of our Republic and to search for theoretical and methodological foundations. These are:

- "Division of accounting into financial and management accounting in developed countries.
- the emergence of the "standard cost" accounting system for calculating the cost of products in accounting, managing deviations from actual costs.
- separation of costs into fixed and variable types, as a result of which there is a need to develop modern systems of cost calculation such as "Direct-costing" for the purpose of full use of production capacity in enterprises, effective distribution of costs.
- the introduction of "break-even point", "marginal income", "production lever" and other new economic terms in the practice of enterprises, and ensuring their integral connection between costs, production volume and financial results in economic entities we can count the need for orientation and several other factors".

METHODS

ABS costing.

Accurate costing of products is an important issue in every production process. It remains clear that the traditional system of product costing does not meet the current production requirements. Because the emergence of the ABS costing system has shown the shortcomings of the traditional system.

- "According to the traditional system of product costing, products consume all resources in proportion to the volume of production, so overhead costs are distributed to all products on a "discretionary" basis." As a result, the cost of the product will be distorted. Many resources of indirect and auxiliary sexes are not used in proportion to the physical size.

- Does not accurately measure the resources spent on each individual product. "This system accurately calculates direct labor costs and direct material costs, energy costs, direct labor and machine costs measures; however, this system does not accurately measure costs for activities that do not depend on volume, such as the purchase of resources, their processing, the organization of production and its planning.

- The traditional method of costing assumes that indirect overhead costs are fixed and irrelevant for decision-making. In fact, most of these costs will vary depending on the demand for the activity that generates these costs, so decision-making is important. Examples of such activities include purchasing materials, processing materials, planning production, setting up machines, warehousing, and processing customer orders.

Target costing

Target costing (target costing system).

Determines the process of selecting products and their design schemes, resulting in a product that can be developed at a price that provides an acceptable level of profit, taking into account the market price, sales volume and target characteristics of the product.

"Target costing is a cost management tool used by planners in product and production process development to encourage change efforts aimed at reducing future production costs."

"The best period for effective cost control is the product planning and design phase, not the time when the product and its production process are being designed." At the stage of product production, the main costs are determined, and the main focus is on cost overruns.

For product design, Responsive is a tool that facilitates the interaction of cross-functional team members and facilitates the process.

Target costing is customer oriented; it begins with specific customer requirements for price, quality, and functionality.

Target costing is customer oriented. It begins with specific customer requirements for price, quality, and functionality. Customers won't pay for product features they don't value, so it's important to consider features during the product design phase that add value to the product, but don't increase the market price. The advantage of the multi-functional team approach is that it helps to eliminate or reduce certain functional biases. The "idea" of target costing is that the team allocates its product and process development efforts to expected costs that are equal to or below target costs without affecting product functionality and desired (desired) features. is to continue projects until they find them."

Reengineering.

We must first fully understand what reengineering is. The focus of reengineering is the design of the production process. Reengineering is the activity of revising a planned or existing process in order to optimize the cost and quality of the product.

In the conditions of the market economy, there are reasons for reengineering the production processes of all business representatives. The main motivators for process

reengineering are, in my opinion, primarily competition resistance, market capture, and pricing policy.

Kaizen costing.

- It is designed for actions taken by managers or operators of an existing system to improve efficiency and reduce costs.

- In contrast to target costing, which is usually used before the start of production, Kaizen costing is used after the start of production.

- However, as in target costing, in Kaizen costing, target indicators are determined - periodic goals of profitability determined by internal management.

- Continuous, step-by-step improvement of the current production process or product design - improving the installation processes, increasing the efficiency of the machine to reduce the emission of waste from raw materials

- One of the key features of kaizen accounting is the elimination of waste from raw materials. Kaizen costing should be used in conjunction with ABS costing to reduce costs. Process or product reengineering or redesign to reduce (and improve quality) non-value-added activities, actions, or cycle times (e.g., moving, storage, inspection) defined by ABS-costing can be removed via.

Life cycle costing

- The process of estimating and accumulating costs over the life cycle of a product.

- Can be used for products with high planning and development costs (e.g. development of a new drug or jet liner) or high shutdown (equipment disposal) costs (e.g. decommissioning a nuclear power plant).

Objectives of life cycle costing:

- To inform the organizers / managers about the total costs associated with the product to determine whether the profit obtained during the active phase of production can cover the costs of the product development and production phase.

- As a result of a comprehensive cost analysis, the life cycle cost assessment draws the attention of organizers/managers to the environmental costs incurred by the product (for example, waste disposal) and initiates (encourages) the reduction of these costs.

- "Controlling and managing costs of product development and production (use) at the product and process development stage" (for example, several)

- "Development and cost control and management during the product and process development phase (for example, several design or process options may have the same price for the product's level of quality and functionality, but within these, some structure from development and production may be "superior" in terms of production costs.

Standard costing

Cost accounting and management is important in the organization and management of management accounting. True, as an object of financial and production accounting, costs are taken into account in the prescribed manner, and in the forms established for their organization and management, information about them is provided in the form of

various reports, as well as tables. is formed. But management accounting is not only taking into account the indicators of the past period and analyzing them, but also being able to see the future indicators of the enterprise, manage them in advance, and, if required at the appropriate time, change some of their items. it also requires making changes. Therefore, management accounting uses methods and approaches that are used in financial and production accounting to accurately assess the nature of costs and to influence management decisions.

One such method is the normative method of cost accounting. A similar approach exists in many developed countries of the world. But in the economic literature, there are also erroneous approaches that interpret the normative method of cost accounting - this is the method used in financial and production accounting, therefore, management accounting - this is production accounting. Because this method is widely used in foreign countries, in many countries it is also called the "standard-cost" system for convenience.

In the interest of management accounting, simply put, the standard cost system is a tool used by management to plan and control costs. It is not used as a cost accounting system by itself, but can be used as an order in process costing methods or any combination thereof. All expenses affecting the cost and reserve account are not expressed as actual expenses, but as a predetermined cost or standard appearance. Cost movements and standard costs included in the accounting system, together with "cost-volume-income" indicators, provide a source of information in controlling budgets.

Standard costing is a method of calculating the costs necessary to bring a unit of finished product to the finished product.

Although standard cost accounting and production cost accounting are similar to each other, it is necessary to know the specific aspects of each of them, as well as to distinguish them from each other.

When using the "standard-cost" system, additional costs arise only in the setting (composition) of individual norms, but the amount of such additional costs is very small. Most of the norms are applied without change for months and even years. The need to change it occurs only in the following cases: when the product design is changed, when mastering the manufacture of a new product, when machines and equipment are changed for the purpose of introducing a new technological process, and in similar cases.

In any enterprise, the actual production costs differ from the developed and planned standard costs in most cases. Deviations from actual and standard costs are called "deviations." If a deviation from the norm is detected, the specialist must determine its causes and occurrence. This process is called deviation analysis.

There are the following indicators of regulatory costs that should be taken into account:

1. Ideal (theoretical) norm.

These figures are mainly based on the maximum utility of the equipment, and it is considered that there will be no downtime, no breakdown. In this case, the possible costs

for the existing production capacity should be minimal. For the purpose of budgeting production or estimating the cost of production stocks, the ideal standard is not used, because in practice the ideal situation is rare. But the application of such norms is more used in the developed countries in the present development period, where the competitive environment is intensifying and, as a result, the demand for continuous improvement of product quality is increasing.

2. Basic (primary. basic) norm. It is almost impossible to change such an indicator - they are set as benchmarks. It is very rare in practice.

3. Realistic standards. This indicator is prepared taking into account all situations in practice, and therefore it is used effectively in most cases. These standards in themselves reasonably reflect average conditions. For example: a break in the standard working day for labor, stoppage for readjustment of tools during production is taken into account, etc.

The result

Standardized costs per unit of production will consist of 6 elements:

1. Standardized direct material costs. They are determined by multiplying the standard price of materials by the standard quantity of the correct materials. The purchasing agent is responsible for establishing the standard price of all correct materials.

2. Standardized amount of correct material costs. This is necessary to determine in advance the amount of materials needed for one product. Typically, this benchmark is established by production managers, accountants, or loss accountants, who involve production engineers, materials purchasing agents, and machine operators in the process.

3. The standard of correct labor costs. The rate of cost required for correct work is defined as the multiplication of the amount of money required to be paid for correct work by the amount of time that should be spent for correct work.

4. Standard of working hours. Each machine tool required to complete one batch or one unit of the intended product is counted as the amount of time required for the department. Usually, working time is defined as a fraction of an hour per product.

5. The standard of payment of the right labor fee. Represents the labor costs that are determined to be paid during the reporting period for the performance of each process or type of work.

6. The rate of general production costs. These cost standards are implemented by calculating coefficients. The calculation of the coefficients is similar to the calculation of the coefficient of distribution of production costs, which was carried out earlier.

Calculation of deviations.

All managers who are responsible for the production of products, their sales and services are also responsible for the various stages of production, such as managers. What should they always be? What actually happened? It should always be compared. As a result of these comparisons, there is a clear description of the situation, whether it is individual parts, or on the scale of the entire enterprise. After knowing the exact situation, it is reasonable to make appropriate management decisions, its impact is felt.

As mentioned, the difference between the standard and actual costs is called the variance. Determining the amount of deviation and the reasons for their occurrence is called the analysis of deviations.

In the process of analysis, economists divide all deviations into the following three types:

Direct material cost variances. Usually, the company's sales manager is responsible for material price deviations. The persons in charge of the manufacturing workshops supervise the use of materials and, accordingly, respond to the occurrence of deviations in this regard.

Direct labor cost variances. This indicator is defined as the difference between standard labor costs. In order to make appropriate management decisions in this regard, it is necessary to first determine what caused the general deviation. More precisely, it is necessary to find out how much of the deviation is due to the increase in labor time consumption, and what part is due to the change in the amount of the labor fee. Labor cost variances in any enterprise are the responsibility of the personnel department of that enterprise. It is recommended that the supervisors of each department respond to deviations in labor productivity.

Variance in total manufacturing costs. "It is defined as the difference between actual total production costs and standard total production costs."

For this, variable and fixed coefficients of total production costs are first calculated. Then the total variance is divided into two parts: controllable total manufacturing costs and total manufacturing cost volume variance.

In general, the accurate calculation of deviations leads to an increase in the amount of profit, a reduction of costs as much as possible, an increase in the volume of sales, and so on.

In order to properly organize cost accounting in the enterprise, first of all, it is necessary to correctly understand the nature of a number of concepts that are important in accounting for these costs.

It is the unit cost of the product that is produced (the service provided or the work performed) that serves as the basis for making management decisions. In particular, determining the price of this product, comparing the price with the cost, determining the amount of profit, calculating the level of profitability, etc. For this, the management account must perform the following tasks:

- timely and correct reflection of expenses incurred on relevant expense items;
- formation of an information base on the effective use of available resources, their compliance with relevant norms, standard indicators and estimates;
- preparation of reasonable proposals for reducing costs, non-production costs and various losses, etc.

"The organization and maintenance of management accounting in enterprises depends to a large extent on how cost accounting is conducted." Correct and timely

organization of cost accounting is the basis for making correct and effective management decisions on the financial and economic activity of the enterprise. The reason is that regardless of whether we consider all material activities related to product production as expenses, the nature of the same expenses differs from each other in terms of their inclusion in the cost price. For example, let's assume that a small enterprise produces tables, chairs and armchairs at the same time in one workshop. It is not too difficult to take into account the direct costs of the production of the table (primary materials, auxiliary materials, labor costs, etc.), but the commercial value of one piece of this table, additional calculations are required to take into account the costs of utility and administrative staff.

Cost allocation is the process of assigning production costs to specific cost objects. For example, not one product, but several similar products are produced at one production site. In this place, it is very important to correctly calculate and allocate expenses for these objects.

"A cost object is an organizational structure, contract or other unit of account from which information about costs is obtained and through which the cost (values) of processes, products, works and capital investment projects are measured".

Another concept necessary for the process of cost allocation is the concept of cost center.

The concept of a cost center is an organizational unit or area of activity, where it is appropriate to collect information on the costs associated with the production of a product. In most cases, this is a relatively independent small-scale structural structure, which can be a production site, a brigade, a workshop.

In the practice of countries with a developed market economy, enterprises use three methods of calculating the cost of a product unit: the method of calculating the cost of a product unit taking into account all costs; the calculation method taking into account only variable costs, as well as the cost calculation method with the inclusion of normative costs.

Summary. The "full cost" method of cost accounting shows how much the full cost of a unit of product produced in the enterprise was. This makes it possible to maintain financial accounts, organize tax relations and conduct calculations, as well as prepare financial reports in this enterprise.

In order to organize and maintain management accounting in the enterprise, it is necessary to introduce the calculation of the unit cost of the product produced in this enterprise using the "variable costs" method.

At the same time, from the point of view of the market and the interests of its consumers, in addition to these two methods, the method of "normative costs" is used to calculate the cost of a unit of production in enterprises that produce a standard amount of products. The advantage of this method is that when the amount of purchase or sales volume is known, the amount of all anticipated costs can be determined as accurately as possible using the fixed cost rate.

In order to organize and maintain a management accounting system in the enterprise, it is necessary to allocate expenses according to two main groups of objects:

By structure and product.

"This process is carried out in two stages:

1. Collection of costs by cost center;
2. Bringing the collected costs to the specific product processed in the shop.

There is also a custom costing method.

One of the following four methods is used to determine the unit cost of a product (work, service) produced in an enterprise:

- Simple method;
- Ordered method;
- Process method;
- Normative method.

In some countries, in addition to these methods, other, in particular, the average cost, method of coefficients is also used.

The most effective methods that can be used to organize and maintain management accounting in an enterprise are order and process costing

Summary

The custom method of cost accounting and product costing is a method used by enterprises that produce only one type of product, as well as work on a special order basis. In this method, all costs are collected for each order, not for separate departments or accounting periods. It is on these cards that the costs of all departments for the fulfillment of a certain order are collected.

To put it more simply, calculating the cost of a unit of production in small enterprises through this custom method is effective, very accurate and convenient in every way.

Because:

- there will be no balance of "main production" requiring overcalculations;
- usually orders are accepted for short and specific periods;
- time of order, quantity, price of product will be clearly agreed upon;
- direct costs can be directly attributed to a specific product or service type, such as labor and material costs;
- total production costs can be allocated only by special methods, depending on the type of product. That is, appropriate calculations can be made to calculate the additional costs (costs of administrative and management apparatus and all general production costs) corresponding to this order size. When they are written off, normative coefficients for the distribution of general production costs, usually set for one year, are used for each department or operating facility.

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