



Farabi University



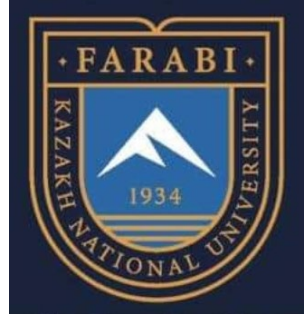
- ▶ Traditional costing 5
- ▶ Management Department
- ▶ “Cost Management” Course
- ▶ Dr., professor Adambekova A.A.

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Ainagul*



Lets remember ! Classification of costs by role in the production process

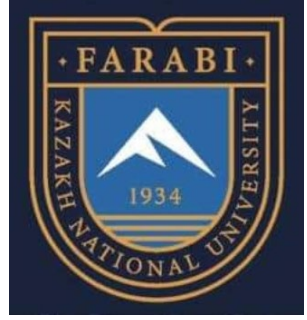
Cost group	Characteristic
General divisions expenses	Costs associated with the functioning of the division as an element of the production process, as a place where the process of manufacturing products is carried out (costs of division management, depreciation, heating, lighting, repairs of workshop premises).
General production expenses	Costs aimed at ensuring the production activities of the enterprise as a whole (depreciation, testing, experiments, research, maintenance of research units, personnel training).
General operating expenses	Costs that ensure the functioning of the enterprise as a single business. 3 main cost groups: <ul style="list-style-type: none">- expenses for managing the enterprise (salaries of the management staff, business trips);- non-production expenses (losses from downtime, from damage, from theft);- commercial or non-production expenses (expenses for containers, packaging, transportation).



Calculation methods Standard method (standard costing)

- ❑ *The standard costing method (standard costing) involves dividing costs into standardized and non-standardized. Standardized costs are usually direct costs.*
- ❑ The creation and application of the standard costing accounting system led to the fact that the cost of production became an object of management. A new method of regulating the process of cost formation has emerged - management by deviations.
- ❑ various factors influence the deviation of actual costs from standard ones

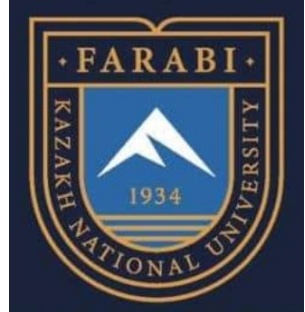
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"STANDARD-COSTS" SYSTEM is a traditional cost management system

- ▶ method of standard accounting and cost regulation.
- ▶ The standard is set based on predetermined costs of materials, working and machine time, overhead and other production costs.

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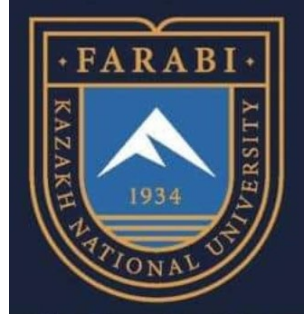


Tasks of standard costing

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- creation of a system of existing progressive norms and standards and determination of a rational standard level of costs for production;
- obtaining information about costs;
- registration and prompt accounting of changes in norms and regulations;
- control and synthesis of data on actual losses and unproductive expenses;
- calculation of the actual cost of products (works, services) based on pre-calculated standard costs (calculation);
- collection of data on production costs for the formation of rational technical and economic policies at enterprises;
- creation of a reporting base for standardization and cost planning;
- constant improvement of reliability, accuracy and efficiency of cost accounting;
- assessment of the performance of production departments and the enterprise as a whole.





Normative method (standard costing)

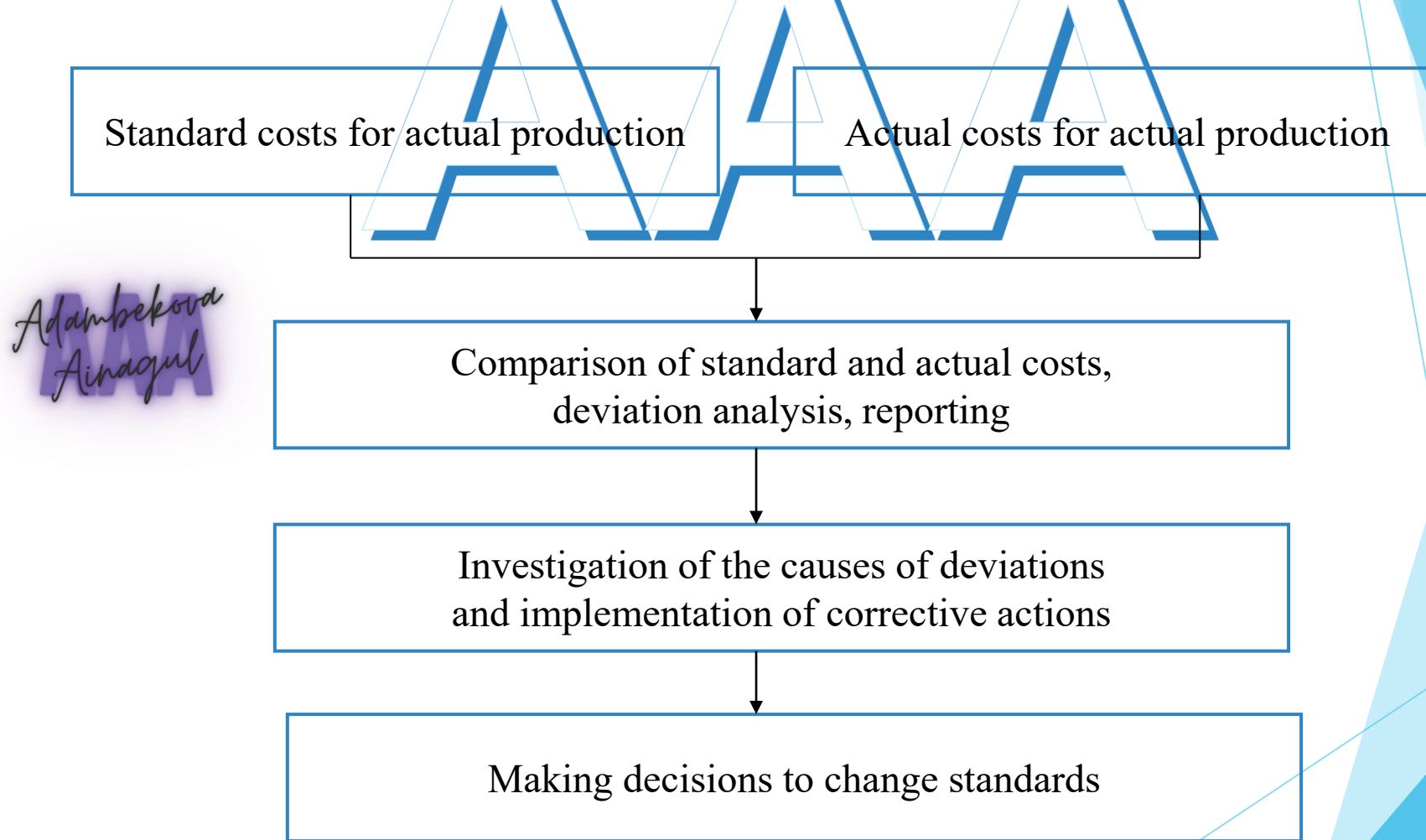
Features of the method:

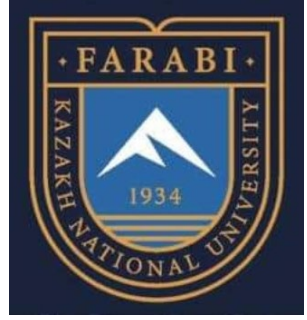
- ▶ preliminary compilation of standard cost calculations for each product based on current standards and estimates;
- ▶ Accounting for finished products is carried out at standard cost using account “Release of finished products” (release of finished products involves the release of manufactured products from the warehouse);
- ▶ keeping records of actual costs during the month and determining the actual cost of finished products;
- ▶ identification and analysis of the causes of deviations from the norms;
- ▶ changing current standards to adjust standard costs.

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Normative method (standard costing)



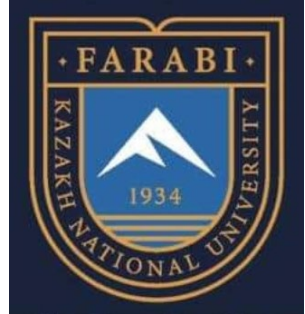


Normative method (standard costing)

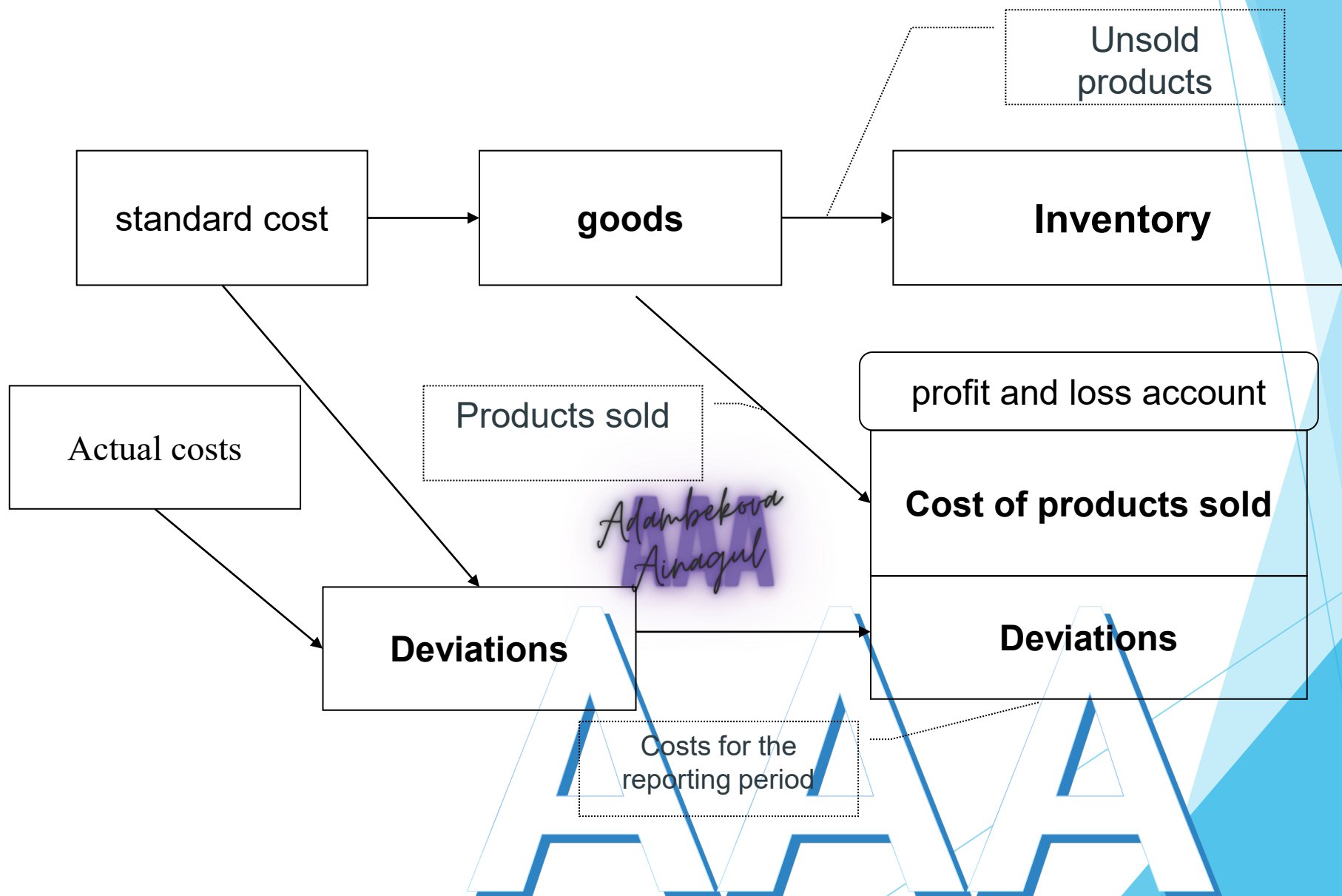
Standard costs per unit of production consist of 6 elements:

- ▶ standard price of materials;
- ▶ standard quantity of basic materials;
- ▶ standard working hours;
- ▶ standard rate of direct wages;
- ▶ standard coefficient of variable overhead costs;
- ▶ standard coefficient of fixed overhead costs.

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Normative method (standard costing)





Normative method (standard costing)

3 meters of textile
for 1 dress, 300 m

100 dresses

12 dresses

Unsold
products

Were 350 m,
used 310 m,
left 40 m

standard cost

goods

Inventory

310 m

Actual costs

88 dresses

Products sold

profit and loss account

Cost of products sold

$1550\$ / 88 = 17,6\$$

Deviations

Deviations

- 1) $310 / 100 - 300 / 100 = 3,1 - 3,0 = 0,1$ for goods
- 2) $310 / 88 - 300 / 88 = 3,52 - 3,40$ for Products sold

$310 * 5\$ = 1550\$$

Costs for the
reporting period

- 1) $300 * 5 = 1500\$$
- 2) $1500\$ / 88 = 17,04\$$
- 3) $17,6 - 17,04 = 0,56\$$ per unit
- 4) $0,56 * 88 = 49,28\$$
- 5) $0,56 * 100 = 56\$$



Reasons for changing norms and regulations

1 Increasing the technical level of production:

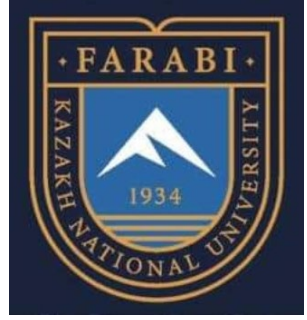
- introduction of new progressive technology, automation of production processes;
- improvement of applied equipment and production technology;
- improving the use and application of new types of raw materials and materials;
- changes in the design and technical characteristics of products;
- other factors that increase the technical level of production.

2 Changes in the volume and structure of production:

- cost reduction as a result of increased production volume;
- improving product quality.

3 Production development:

- commissioning and development of production;
- preparation and development of production at existing enterprises.

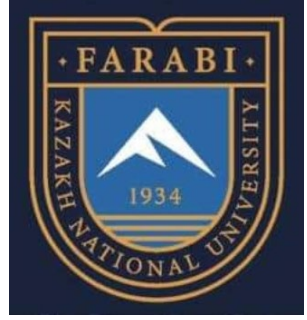


Reasons for changing norms and regulations

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4 Improving the organization of production and labor:

- development of production specialization;
- improvement of organization and maintenance of production;
- improvement of production management;
- improvement of work organization;
- improving the use of fixed assets;
- improvement of logistics and use of material resources;
- other factors that increase the level of production organization.



Accounting for deviations from norms

- ▶ Deviations are over expenditures or savings identified by comparing actual costs with standard ones, all kinds of additional payments caused by organizational and technical problems, as well as deviations from cost estimates for production and management services.

Documented

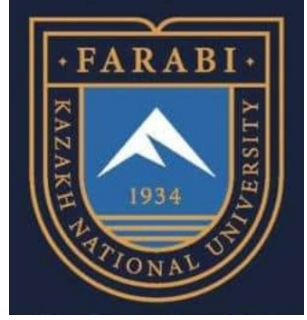
Undocumented



1. Accounting and analysis of material cost deviations

- 1) replacement of raw materials (dimensions, quality, names);
- 2) replacement of semi-finished products of own production with purchased ones and vice versa;
- 3) non-compliance of raw materials and materials with standards or specifications;
- 4) change in the quality of raw materials and materials;
- 5) deviations during cutting;
- 6) changes in technology and technical parameters;
- 7) malfunction of equipment and tools;
- 8) use of waste instead of valuable materials and vice versa;
- 9) shortcomings in product design;
- 10) deviation of the planned amounts of transportation and procurement costs from the actual ones;
- 11) other reasons.





Stages of accounting and control over the consumption of raw materials and materials

accounting and control
of resource release
from warehouse to
production

accounting and control
of material flows in
production

