

Farabi University





Traditional costing 4,5

- Management Department
- "Cost Management" Course
- Dr., professor Adambekova A.A.



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: - 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



"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.





Tasks of standard costing Adamberry

- 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 precalculated 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.



Normative method (standard costing)

Standard costs for actual production Actual costs for actual production

Comparison of standard and actual costs, deviation analysis, reporting

Investigation of the causes of deviations and implementation of corrective actions

Making decisions to change standards



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.



