

УО «Алматы Менеджмент Университет»



**ALMA**  
ALMATY MANAGEMENT  
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# УПРАВЛЯТЬ СОБОЙ – УПРАВЛЯТЬ БИЗНЕСОМ – УПРАВЛЯТЬ ВРЕМЕНЕМ

Сборник статей магистрантов  
Магистранттардың мақалалар жинағы  
Collection of articles by Master Program students

Выпуск 7

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## **IMPROVING OF COST MANAGEMENT AT THE ENTERPRISE IN THE CONDITIONS OF INSTABILITY OF THE FINANCIAL AND ECONOMIC DEVELOPMENT**

There is a goal of almost all enterprises in the economy to maximize profits for shareholders and owners of a company. It is possible to achieve that aim by two methods: either by increasing the sales or reducing costs. It is known that cost reduction leads to an increase in profit per unit of output.

The company's profit is largely dependent on the price of the product and its production costs. The price of products on the market is a consequence of the interaction of supply and demand. Under the influence of market pricing laws, in the free competition market conditions price of a products cannot be higher or lower at the request of the manufacturer or the buyer – it is aligned automatically. Another thing is expenses, forming the cost of production. They may increase or decrease depending on the amount consumed by labor and material resources, the level of technology, organization of production and other factors. Naturally, the higher cost – the lower gain, and vice versa. It means that there is an inverse functional relationship between these indicators.

Considering the fierce competition in the market and limited demand for products nowadays, the second option offering reducing expenses seems preferable.

Expenditures represent the amount spent in order to ensure the sale of goods (works, services), income and profit. The cost of production reflects various aspects of production – economic activity of the enterprise [1].

Therefore, accounting and cost analysis is now the most important management tool. This account of expenses is an important means of identifying production reserves, constant monitoring of the use of material, labor and financial resources in order to improve the profitability of production.

The study of the production cost structure allows to make an objective assessment of the level of income and profitability achieved now.

The goal of any optimization is to improve the efficiency of organization, rather than just decrease in expenses.

Cost reduction is inseparable from the concept of "cost effectiveness" or in economic terms, "the cost margin".

Costs are an integral part of any business, without them the company can neither develop nor just work.

However, to ensure the profitability it is required the costs to be effective that is each spent Kazakhstani tenge should be profitable. Having set such a goal, the head of an enterprise will be able to save a company from unproductive expenditures. However, not every CEO sees the best ways to reduce costs.

In consequence of the global economic crisis, which affected almost all the nuances of doing business, all companies without exception are trying to maintain financial stability by reducing costs. This is dictated by both unforeseen market consumption and limited resources, which sharper expression is felt directly in the crisis period.

Currently, the first place is occupied by the effectiveness of the composition and the structure of management costs incurred as a major element of production costs. In connection with the ongoing integration into the world economy, this indicator is of paramount importance. In addition, the rate of production costs and the related indicator of production costs affects the efficiency of production – economic activity, since it reflects the competitive advantages of a given economic entity than its competitors. The level of production costs depends on the financial results of the company, the rate of expanded reproduction and the financial condition of economic entities.

Analysis of the production costs and cost of goods, works and services is crucial. It allows to identify trends in this indicator, the plan for its level, to determine the influence of factors on its growth, to assess the enterprise performance on the use of its capabilities and to establish reserves to reduce the cost of production.

Production costs and cost of production are in a relationship with the indicators of production efficiency. The cost price reflects the greater part of the cost of production and depends on changes in the conditions of production and sales. Techno-economic factors of production have significant impact on the level of costs. This effect appears depending on changes in technology, production organization, structure and quality of the product, size and production costs. Cost analysis is usually carried out regularly throughout the year, in order to identify internal reserves to reduce them [2].

The domestic macro economy, owning a large resource potential, occupies very modest place in general atmosphere of civilized states striving to increase their positions in the arena of the international economy. First of all, this is due to lack of competitiveness of the goods produced, which was caused primarily by low quality of Kazakhstani products, and the high costs of its manufacture. Proper management of expenditure in the manufacture and sale of products in the company can guarantee the increase in gross domestic product, to achieve stable financial growth, as well as the continuous increase in the average annual earnings of the population.

Today, in many organizations, managers are increasingly focused on the organizational side of a business, suggesting that the economy operates by itself in a global market.

However, it is possible to find one main contradiction: without introduction of economic responsibility system in the enterprise, without the formation of management costs system, it is impossible to improve the profitability and efficiency of production and the size of the profits [3].

To make the best managerial and financial decisions necessary to know the expenses and above all to understand information about production expenses. Cost analysis helps to determine their effectiveness, determine whether they are excessive, check the quality of work performance, correctly set prices, regulate and control costs, to plan the level of income and profitability of production.

Relevance of the topic of this study is determined by processes taking place in the economy of the Republic of Kazakhstan and aimed at reforming the entire economic mechanism due to its reorientation to the market type of management.

Cost management in the enterprise, especially in a market economy, is the basic direction of the entire enterprise management system, as all information focus on the actual costs. Therefore, it provides a basis for the actual profit. Cost analysis makes it possible to find out the trends of implementation of the plan, to determine the impact of factors on the earnings growth to determine the reserves and to assess the activity of the enterprise for use opportunities to reduce costs.

Enterprise costs are one of the most important performance indicators of financial activity. It allows to determine the effectiveness and quality of work of the whole team, and the introduction of a cost-saving enhances profitability and growth of labor productivity.

In a single system characteristics that determine the effectiveness of the production, as well as in the whole company and its divisions, one devoted to the main places of the cost. The cost structure is formed by the costs that it determines.

First of all, the costs are determined by use of resources; further costs represent the amount of resources used, formulated in terms of money; after that costs are compared for the purposes of its fulfillment – manufacture of products, work of department, etc. This implies that the cost price is the volume of a particular application of resources in terms of money.

Any business in the conditions of market economy is required to generate revenue. Its profitability is due to advantageous production of individual products and the share of high-margin products in the total amount of production.

In conditions of market relations, any business organization must be oriented to the consumer. Consumers and buyers are who determine the organizational and technical policy of the company. The economic stability of the organization, its survival and prosperity in a market economy is inextricably linked to its continuous improvement and development. In modern conditions for the majority of companies it is advisable to use a comprehensive target-oriented approach to development.

The enterprise cost analysis is not only important, but in many ways, a determining factor in company strategy, its flexibility in a market economy.

Therefore, expenses are one of the most important categories of economic activity of the enterprise. Defining the essence of the costs and the correct classification is an important factor in understanding how to manage them. Classification of costs is needed to determine the cost of production and, accordingly, pricing. The classification of costs has great value in the managing of calculation of the product.

To determine the priority areas is necessary to develop system of planning enterprise costs, which is an important prerequisite for the economic justification of determining the value of the costs during the planning period for the production of each species and the entire enterprise. In the process of planning costs the limit (allowable) of general costs should be set by divisions and in the whole enterprise and per unit of output.

Competent policy in respect of costs, their correct calculation, timely reporting and proper allocation of resources in both time periods and the spheres of activity can change the picture of Kazakhstani production sphere for the better.

Optimization of cost management - a key element of cost management system. Without optimization of costs is not possible to achieve competitiveness and survival of the company in a rapidly changing environment.

An integral element of optimization - the development of measures that help to evaluate the effectiveness of the use of all enterprise resources, identify reserves to reduce the cost of

production, to gather information for the preparation of plans and make rational management decisions in the area of cost optimization. Without the participation of managers and employees, this process will not be effective.

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