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COSTS (EXPENSES) OF ORGANIZATIONS: THE MAIN DIRECTIONS OF OPTIMIZATION

ANASTASIYATOMKO, YULIYA SALAKHOVA
Polotsk State University, Belarus

The article presents theoretical aspects of such economic categories as "costs (expenses) of organizations" and "financial leverage". Theoretical aspects of their relationship have been revealed. Basic analytical activities of the analysis of the above-mentioned categories have been defined, which can be found in the works of scholars.

In the course of business, a company incurs various monetary costs, the composition of which depends on many factors: the organizational-legal forms of business, industry, financial and accounting policy and legally established rules and principles of behavior of economic entities in the tax, credit, insurance and securities sectors.

You should pay attention to the content of the terms "costs" and "expenses".

Table 1 – Theoretical aspect of category "costs"

Author	Definition
Raizberg B. A.	Expressed in monetary form, the cost to businesses, entrepreneurs, and private producers for the production, conversion and marketing of products
Economic Dictionary	The valuation of resources consumed by the organization in the process of production and sales of goods, products, works, services
Ivashkevich V. B	Expressed in monetary form of the aggregate costs of living and materialized labour in the process of business activities for a certain period of time
KarpovT. P.	The set of expenses for production (works, services) and its implementation, expressed in monetary form
Wroblewski N. D.	The expenses of the organization for the creation of inventories of material and technical resources and services (work) providers, including consumed in the production process part
Bahrushina M. A.	Funds spent on the acquisition of the resources available, and recorded in the balance sheet as assets that can bring income in the future

Source: [1–3].

Having summarized everything mentioned above, under the cost you should understand the monetary value of cost of material, labor, financial, natural, information and other resources on the production and sales of products for a certain period of time.

Table 2 – Theoretical aspect of the category "expense"

Author	Definition
T.V. Fedorovich	Expenses are considered to be the costs of resources or services consumed in the process of earning income. So it is a part of the cost incurred by an enterprise in connection with receipt of income
Economic Dictionary	The decrease in economic benefits as a result of disposal of assets (monetary funds, other property) and (or) occurrence of obligations leading to the reduction of the organization ' s sources , except for the reduction of contributions upon decision of participants (proprietors of property)
B.A. Raizberg, L.S. Lozovskiy, E.B. Starodubtseva	These are costs in the process of economic activity, leading to the decrease of funds or increase in its debt obligations
S.S. Molchanova	Expenditure represents unspent resources which are impossible to use in the future

Source: [1–3].

Thus, it is possible to note the similarity of the views of all researchers on the concept of costs, despite some differences in interpretation. So, expenses are expenses that are involved in the formation of the profits of a particular period, leading to the increase in accounts payable and payments of the organization.

One of the main differences in expenses from the costs is that the costs are included in the calculation of the financial performance of the company during the reported period and are recognised in the statement of financial performance. In contrast costs are costs at the time of their recognition affecting profit.

Measures to reduce costs are the following [3]:

1. The reduced cost of maintaining inventory. The reduction of this expenditure increases logistics and production risks in crisis increase. This period is associated with the work suspension and even closure of the company. If such problems appear, vendors for enterprise failures can occur [2].

2. The cost of advertising. Reduction of expenses on advertising will not lead to tactical and strategic losses only if an enterprise finds other, cheaper and conditionally free methods of advertising, promotion, informing customers, consumers, partners about their business proposals. The lack of financial resources must be replaced by smart, innovative creative solutions, serious creative work of the staff of the enterprise. In no case should spending on advertising be given up especially if it works well for those proven channels of communication with consumers, which has proved its effectiveness. Spending on advertising and marketing, in this case, we need to reallocate in favor of these effective tools [4].

3. Reduction of maintenance cost, repair. The reduction of this expenditure is also increases production risks over time, putting into question the production processes. For example how much the company could lose from the outage of a line or more costly equipment repairs, saving little money in the costs of maintenance. In addition, working without repairs and depreciation during the crisis, when the equipment at the beginning of the economic recovery is already unworkable, will certainly sooner or later overcome crisis period. When the economy starts to grow, the company will not be able to use the advantages and opportunities of economic growth [4].

4. Reduction of expenses on the maintenance staff. The cost of maintaining the staff is necessary to reduce primarily in those industries where during the economic boom preceding the crisis there was an unfounded hyper-growth of salaries not supported by productivity growth and growth efficiency. The decrease in these expenses was primarily due to lower premiums and allowances. However, if the material incentives do not provide other alternatives, there may be a sharp drop and low productivity: employees will go to work. Alternatives to the wage incentive of key employees can be involved in the ownership of the company, remuneration for rationalization proposals, awards for special achievements, intangible measures and so on[5].

5. Costs that should be reduced.

– universal expenses, which can be safely reduced without any significant loss in the short term;

– elimination of manufacturing losses are: economy of fuel, electricity, raw materials, implementation of lean manufacturing technologies;

– reduction of expenses on the maintenance of high status. This may be a move to less prestigious and less expensive office. Seal of services, departments, personnel in occupied premises, the rejection of superfluous squares and putting them in lease, sublease and so on;

– hidden or implicit costs, which all forget – the costs or lost profits;

– the cost of the acquired enterprise parts, materials. Enterprises with suppliers sign not only contracts and contracts for supply, but a long-term agreement on the quality of goods (control and development) and graphics gradual reduction of the purchasing cost of components [6].

6. The organization of the control. Regular and sudden inspection contributes to the growth of the discipline in all areas of the production process. In order to effectively reduce costs, they must continuously monitor. Identification of shortages, attrition, technological losses help us to develop plans to mitigate them. Audit, inventory, inventories - these instruments of control have a positive effect on detection and suppression of losses in the company.

7. Analysis of losses. All that is not analyzed is impossible to consider and to draw conclusions. If your company receives a negative result, it is necessary to collectively discuss and work out measures in order not to repeat such experience in future, the costs of treatment will be reduced. Marriage, defects, cost of rework need to be analyzed with special care, since these facts entail not only cost overruns but also the loss of time, reducing a company's reputation and brand in the market.

8. The reduction of production costs. The cost is the sum of all costs that were spent on production and promotion of goods on the market. The cost is always expressed in money and contains an estimate of the unit cost of the product and refers to the cost of the enterprise [3].

If you are going to reduce costs, you should begin with the establishment of concrete plans, with specific percent reduction in cost for each item [4].

The action plan for the reduction of the cost is set by defining [5]:

– percentage reduction in direct production, overhead and general expenses per unit of production and promotion costs;

– list of specific actions to reduce costs and assign responsibility and deadlines of the plan;

– the net effect of each item of savings, expressed in monetary form.

9. Financial leverage (financial leverage) is the ratio of borrowed capital to equity, it characterizes the stability of the company. The less leverage is, the more stable the situation is. On the other hand, borrowed capital allows to increase the rate of return on equity, i.e. to get additional return on equity [6].

The indicator, reflecting the level of additional revenue if you use borrowed capital is called financial leverage effect [5].

Financial leverage describes the influence of capital structure on size of profit of the enterprise, and different methods of inclusion of credit costs in the cost price render influence the level of net profit and net return on equity [4].

The effect shows that the use of borrowed capital of the enterprise JSC "Vitebskdrev" has allowed to increase profitability by 19%. The effect of financial leverage shows the efficiency of using borrowed capital to increase efficiency and profitability. Increasing profitability allows us to reinvest in the development of production, technology, human resources and innovation capacity. All this allows to increase the competitiveness of the enterprise. Illiterate management of borrowed capital can lead to rapid growth of insolvency and the occurrence of the bankruptcy risk.

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