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ORGANIZATION OF THE NORMATIVE METHOD OF COST ACCOUNTING BY “CENTERS OF RESPONSIBILITY” AT THE ENTERPRISES OF THE FOOD INDUSTRY OF UKRAINE

In today's dynamic and competitive market environment, the ensuring of food businesses efficiency is possible, as evidenced by world and domestic experience, only through the introduction of the budget as a necessary component of administrative registration and analysis. It raises the question of why budgeting, based on optimal regulatory costs, allows to predict the level of use of costs for food enterprises in Ukraine in the short and long term perspective, but it is not involved. To ensure the implementation of budgeting, it is necessary to carry out theoretical and methodological developments in this area, which are based on the definition of the object of accounting, business documentation, development of new registers to obtain operational information to control the actual level of costs compared to standards. The problems of methodical bases of management accounting of production expenses in information support of budgeting are considered, not only at the level of the enterprise, but also taking into account the structural production divisions of "responsibility centers", as modern conditions of the deepened control demand.

The organization and maintenance of "responsibility centers" is one of the promising methods that can ensure efficiency of cost management of domestic food industry, and can facilitate the development of a strategy to reduce the cost of production. Accounting and classification of deviations give a clear picture of trends to increase or decrease costs, help more effective planning for future production periods. The main principles of normative accounting and calculation of production costs for all types of production at food enterprises of Ukraine are: preliminary calculation of normative production costs on the basis of current norms; accounting for deviations from current standards; accounting for changes in standards and establishing the actual cost of production.

Key words: "responsibility centers", normative method, budgeting, production costs, accounting.

Problem statement. The normative method of accounting for production costs and calculating the cost of production is the method that most fully meets the conditions of planning and budgeting of economic activity and the requirements of current control over production costs. It contributes to a more efficient use of data rationing, planning and accounting in the management of the formation of the cost of manufactured products. The normative method of accounting is based on the principle of separate accounting of production costs according to the current progressive norms and deviations from the norms – savings or overspending and changes in norms. At the same time, the normative method in combination with the operational analysis of self-supporting tasks at the cost of production is the most effective means in the fight to reduce production costs.

Analysis of the latest studies and publications. Based on the theoretical justifications of accounting scientific schools of the world, we often find recommendations on the main approaches to the construction of management cost accounting in the practice of building accounting "responsibility centers". At domestic enterprises, the above approaches to the construction of accounting are not very common, so the justification of the advantages and basic principles of accounting for "centers of responsibility" remains a relevant topic of study of domestic scientists¹.

¹ Кузміньська, К. (2016). Особливості методики калькування собівартості продукції на гірничозбагачувальних підприємствах. *The institute of accounting, control and analysis in the globalization circumstances. International scientific journal*, 4; Герасимович, А. М., Герасимович, І. А., Морозова-Герасимович, Н. А. (2014). Методичні принципи управлінського образу виробничих витрат в умовах бюджетування. *Вісник Житомирського державного технологічного університету*, 2, 15-19.

The generalization of scientists on methodological approaches to the construction of management cost accounting based on the concept of "responsibility centers" helps to determine the possibility of projection of methodological developments in this area for effective practical application in the food industry¹. Issues of organization and methods of management accounting and analysis of production costs are considered in scientific papers and much attention is paid to improving the system of legal regulation of accounting and reporting, including management accounting and economic analysis as the main functions of enterprise management.

The purpose of this article is to assess the compliance of cost accounting in food enterprises in accordance with international standards, systematization and classification of production units based on the conditions of their budgeting.

Statement of key material. Enterprise planning is one of the components of management, on which the future results of work depend. Based on periodic plans, the head of any business entity has the opportunity to make operational and strategic management decisions and timely influence the individual stages of production, which, in turn, change the overall result of a management decision. The greater the frequency of planning, the greater the likelihood of avoiding adverse situations and timely response to the result.

The complex nature of the processing of input raw materials is a positive in its fullest use and a problem in the distribution of its value between the main and by-products and waste. Research and generalization of practice shows that the most common method of distribution is the normative method, which involves preliminary determination of production costs, based on current progressive norms of consumption of raw materials, wages, other production costs and detection of deviations and changes in production.

Accounting for deviations from current regulations is one of the most important elements of regulatory accounting. Deviation from the norms shows how much the proven standards are met. Their excess indicates a violation of technology, shortcomings in the organization of production and supply or non-compliance with established standards to achieve production conditions. This requires the replacement of outdated norms with new, more progressive ones, so for proper accounting and analysis it is necessary to develop a nomenclature of reasons and identify the culprits in the deviations. All deviations from the norms, regardless of the reason, must be documented. The maximum reality of detection of deviations depends on the quality of standards, and the latter – on the level of organization of regulatory accounting information.

Existing norms, which are at the same time cost limits, cannot always remain constant, but change systematically as production technology improves and the use of material and labor resources improves. Therefore, it is necessary for food companies to register and record changes in regulations that are one of the main features of the regulatory method of accounting, which allows to control the timely implementation of new equipment, advanced technology and improve the organization of production and labor.

Monthly detection of deviations from the norms is carried out in relation to the standard cost, calculated before the beginning of each month of production. The need for monthly calculation of the regulatory cost is most caused by changes in the planned quality and prices of raw materials, which affect the level of costs².

Comparing the actual costs with the allowable regulations allows the manager to quickly plan and control the work on its production site. He gets the opportunity to continuously monitor the level of costs and get much better results than when conducting a sample analysis to reduce costs, which are prepared in a hurry, in an extreme manner by the central office of the enterprise. At the same time, cost reports are for management an accurate and comprehensive description of the work of this manager in his area of work. But the analysis of deviations from the norms is not intended to find and punish the culprit. This approach to using the method of regulatory costs will inevitably destroy all its benefits. In addition, in many cases, the manager who is responsible for the amount of costs of a particular type, he is not to blame for the deviations. The main purpose of the normative method of accounting and control of costs for the "centers of responsibility", and especially in terms of budgeting – to identify and solve problems that arise³.

Credentials are needed not only at the stage of budgeting a certain "center of responsibility", based on actual and planned information on its implementation in previous periods, but also at subsequent stages of the budget cycle in the control and plan-fact analysis of performance indicators. To ensure that the plan-fact

¹ Fakir, A. A, Islam, M. Z, Miah, M. S. (2014). The Use of Responsibility Accounting in Textile Industry in Bangladesh". *Journal of Business Studies*, 35 (2), 261-273.

² Михальська, О. Л. (ред.) (2019). *Управлінський облік та аналіз виробничих витрат*. Київ: Кондор.

³ Horngren, C. T., Dater, S. M., Rajan, M. V. (2016). *Cost Accounting: A managerial Emphasis*, 14th edition, *Pearson Edition, New Delhi*, 220-222.

analysis is carried out, in order to draw up the budget for the next period, management services must have both planned indicators and actual indicators of budget execution.

Comparing regulatory data with actual data allows to determine the deviations that affect the budget estimates and the cost of production in direct costs, and facilitates management decisions to regulate costs in order to optimize them. The system of management cost accounting for "centers of responsibility" creates the conditions for their post-operational accounting. The system of management post-operational cost accounting also best meets the requirements of budgeting, which becomes a necessary condition for monitoring the level of compliance with budget "responsibility centers", and therefore provides a reasonable formation of production costs by technological redistributions in direct and equivalent costs.

The use of a functional approach to the analysis of technological processes, which are behind the costs, makes it possible to identify bottlenecks in the existing traditional production technology, identify unnecessary and redundant technological functions-operations, which will ensure compliance with established cost budgets, developed and brought to each redistribution as a "center of responsibility". That is, in technology it is not the product itself that is important, but the elements of the production process of production.

The effectiveness of management accounting in the enterprise directly depends on the approaches to its construction, namely the built system of management accounting should allow:

- understand the causes of costs;
- detect deviations from the planned indicators;
- summarize costs for certain organizational (accounting) units;
- control and analyze the cost of manufacturing products and costs of the enterprise as a whole at the relevant stages;
- effectively influence cost reduction.

The basis of budget "responsibility centers" are the consolidated links involved in the economic activities of the enterprise. Economic processes that take place at the appropriate levels, in turn, form the basis of budgeting cost centers, the least consolidated element in the synthesized system are the structural units that correspond to the place of origin of costs¹.

For the first direction, it is characteristic to bring the indicators "from mountain to bottom". With such a construction, the strategic plan of the enterprise and its achievements are fundamental. Performance indicators are brought by the top management to the corresponding budget centers (heads of the lower hierarchical levels of management). In the process of forming and approving budgets, redistribution of budget indicators is possible, taking into account their compliance with the functional responsibilities of budget expenditure centers, but the basis is still the strategic plan of the enterprise.

This approach has significant shortcomings, particularly in practice; in many cases, senior management cannot draw up a quality strategic plan without adequate information support for the functionality and needs of budget centers. With such a distribution of indicators, there is a high probability of situations in which budget centers will not be able to perform their main functions due to lack of resources, powers, and so on.

Thus, there is a need to support the strategic plan of the company with information about the needs of budget centers. This is the basis of the second direction of budgeting, the process of which is characterized by "bottom-up." In this approach, budget indicators are formed based on their main functions and needs of budget centers which, in turn, conducts an analytical assessment of the compliance of budgets with the strategic plan.

However, this approach is not without its drawbacks. In particular, if, after processing a set of draft budgets by cost centers, senior management finds a lack of resources, it will have to either change the strategic plan or reduce budgets.

Each of these areas has its drawbacks, so in practice an important element of budgeting should be a synthesis of these two approaches. In particular, in order for the strategic plan to be inviolable, all heads of the relevant budget expenditure centers, who clearly know the requirements and functional needs for the processes taking place within their responsibilities and powers, should participate in its development.

Creating a system of cost management based on "responsibility centers" leads to decentralization of the enterprise structure. Decentralization covers both the enterprise as a whole and management functions in particular. This means an indisputable and clear division of the enterprise into organizational centers and

¹ Lin, Z. J., Lin, J. J. (2002). Responsibility cost control system in China: a case of management accounting application, *Management Accounting Research*, 13, 447-467.

mandatory delegation of authority and responsibility for managing business processes from the head of the enterprise to lower-level managers who are heads of structural units – "centers of responsibility"¹.

The organizational process of building a cost accounting system for "responsibility centers" takes place in several stages:

1. Definition of the centers of occurrence of expenses – structural divisions of the enterprise in which there is a possibility to organize the account, planning, rationing, budgeting of expenses.

2. The structure of the enterprise may include several "centers of responsibility" for costs. The process of forming cost centers should be determined by the feasibility of introducing a manager, at the head of a certain structural unit, which will manage and bear personal responsibility for the implementation of indicators. If there is no such need, then this area of economic activity will be defined as the center of costs.

3. Creation of regulations on "responsibility centers" with mandatory definition of the sphere of influence, the amount of responsibility and objects of management cost accounting.

Thus, organizational approaches to the construction of management cost accounting based on the concept of "centers of responsibility" lead to the creation of such an accounting system that can²:

- to satisfy the management with information on indicators of size, cost and quality of expenses;
- ensure effective cost planning and control;
- to enable a fair and comprehensive assessment of the activities of individual parts of the enterprise.

A feature of the organization and creation of a "center of responsibility for costs" is the ability to organize rationing, planning and cost accounting in order to monitor the performance of a particular structural unit. Therefore, it is believed that the basic accounting for the "centers of responsibility" is the detection, accumulation and analysis of deviations from the planned indicators in the process of economic activity.

Therefore, the deviation of actual costs from the normative ones provides information important for decision-making because on the basis of the magnitude of deviations and their reasons the basis for revealing negative tendencies and prospects in making further decisions is based.

Conclusions. In order to better understand the nature of deviations and further simplify the process of forming reporting information, deviations should be accounted for in terms of objects of calculation of costs of products and resources used. Also, directly in the "center of responsibility" it is advisable to keep track of deviations in the context of cost centers. The importance of accounting and understanding the causes and nature of deviations necessitate the study and generalization of the methodology of classification of deviations.

It should be noted that the deviation can be caused by several factors at the same time, in which case the management of the cost center needs to determine as accurately as possible the amount of deviation due to each factor in order to develop an effective follow-up strategy.

The classification of deviations helps the head of the "center of responsibility for costs" and senior management to qualitatively assess the nature of the final indicators of costs incurred during the reporting period and more reasonably develop a strategy for further action.

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