

Chapter 3

PROBLEM QUESTIONS OF MANAGEMENT OF FINANCIAL EXPENSES AND PERSONNEL COSTS AT AGRICULTURAL ENTERPRISE

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Statement problem in general and its connection with important scientific and practical tasks

The study of cost management is extremely important due to the stable growth of profitability of business entities, providing solution of the strategic and tactical problems of industrial production and financial policy. Overstated costs, including the reproduction and using human resources is a factor that limits the competitiveness of products hinders the entering the producer to new markets. Cost reduction and efficient use of resources of the enterprise on the contrary guarantee stability in the current economic conditions and achieve a higher level of the profitability. The necessity of improving the mechanism of cost management caused by such factors [Крушельницька 2010, p. 179]:

- increased competition on the markets of materials and raw materials;
- changing and instability of prices for production resources;
- determining the technical methods of measuring, collecting, analyzing and preparing information for the evaluation, planning and decision-making to optimize costs.

M.V. Volkova emphasizes on the expediency of forming a unified system of management costs [Волкова 2011, p. 207], the advantages of which are classified by: ensuring the production of competitive products on the basis of cost and prices optimization; operational availability of adequate, high quality information on the cost of certain products; the ability to use flexible pricing; providing objective data for making the systems of enterprise plans; an opportunity to assess activities of each subdivision of the company from a financial point of view; improving the substantiation of managerial decision making.

A significant place in the management of expenses is assigned by M. O. Ivasyshyn [Івасишин 2013, p. 300] to the service function of budgeting – expenses the analysis because owing to analyzes created and implemented an opportunity to reduce the level of uncertainty of information for management decisions and thereby minimized the risk of management system as a whole.

Analysis of major studies and publications where the solution of the problem was initiated

Cost analysis is an effective tool for management analysis, it provides the necessary information to help make better business decisions. Scientists paid much attention to the issue of an effective system of cost management. S. F. Golov [Голов 2008, p. 30] considers cost management as a fundamentally new system that enables you to accurately track, analyze and control costs. Studies have shown that most authors consider that it is advisable to analyze the dynamics of spending in absolute indicators and by their structure. Such methodical approaches do not fully meet the needs of farm management practices. Given the level of costs of agricultural enterprises in Ukraine, solving problems of controlling the cost for reproduction and using of labor resources meets to the requirements of today.

Setting objectives

Efficient system of cost management gives managers the possibility of cost control and its forecasting. It provides the ability to select the most effective ways of developing agricultural enterprises, adoption of operational and strategic management and economic decisions, especially in the area of human resources management. The article is an analytical review of expenses for reproduction and using the labor resources in agriculture which reveal specifics of managing these costs. Sequential presentation of the questions of the research involves solving such problems:

1. To assess the situation regarding the income levels of the population in Poltava region and Ukraine.
2. To identify the structural orientation of the costs for agricultural production.
3. To generalize the peculiarities of financial costs and personnel expenses of agricultural enterprise.

The main material of the research

The deterioration of the social and economic situation in Ukraine was caused by mass unemployment, inflation, accompanied by increased differentiation of the population by main social and economic indicators: wages, money saving, pattern of consumption. These figures have an affect on the forming of the monetary income per capita (tab. 1).

Steady trend of nominal growth and the tendency of the real incomes decrease of the population was fixed. The average real income per 1 person in 2014 decreased respectively to 2012 by 23.2%. Increasing the level of nominal and real wages under the conditions of financial economic reform must be provided through the establishment of economically and socially feasible level of minimum wages. Stage-by-stage approach to the real size of the subsistence minimum, improvement of

the mechanism of income tax through further liberalization of the tax system, reducing the tax burden on labor payment fund of enterprises, establishment of optimal tax rates depending on the income and prevent any discrimination. Ensure equal approach to citizens at definition of tax liabilities, as well as adherence to social justice.

Table 1. Incomes of the population of Ukraine in 2012-2014 %

Indicators	Years			The absolute deviation 2014 from 2012, (+; -)
	2012	2013	2014	
Available income per one person, UAH	25,206.4	26,719.4	27,700.3	2,493.9
Poltava region	24,027.2	25,371.2	26,998.5	2,971.3
Average available income per 1 person, UAH	2,119	2,240	2,308	189
till previous year, %	114.5	105.7	103	x
Average real available income per 1 person, UAH	2,108	2,245	2,059	-49
Real available income per 1 person, % till previous year	113.9	106.1	91.6	x
Poltava region	113.1	106.1	95	x
Average monthly nominal salary per 1 person, UAH	3,041	3,282	3,480	439
till previous year, %	114.4	108.2	93.5	x

Source of the information: calculated according to – Державна служба статистики України. Україна 2013: статистичний збірник, с. 180-185; Україна 2014: статистичний збірник, с. 24.

In the current economic conditions almost every agricultural enterprise must solve the task of the management of production costs, determine the conditions to achieve their efficiency. All stages of construction and implementation of an effective system of production costs management be determined by objective and measures must be developed for its implementation (tab. 2).

The activities on the first stage of an effective system of cost management of agricultural enterprises are aimed at solving the following problems: collecting and analyzing the information about expense; identifying trends of level changes, scope and structure of costs of production and product unit; regulating and planning expenses in terms of the elements, of production units and products of livestock farming and crop growing sectors.

The analysis and the current control of costs allow the reformation of the production management system in time. The manager influence acquires the features of a timely impact on production, supply, marketing and other processes.

Table 2. The sequence of development and implementation of an effective management system of production costs

Stages	Content	Result
Preproject research and determination of the main objectives of the enterprise in the management of production costs	Analysis of the actual state of implementation of production costs on the major areas of manufacturing processes and departments. Evaluation of the effectiveness of their formation and grounding the ways of increasing the efficiency of their management	The real state of spending
Project and calculation stage	Collecting information on implementation the directions to improve the system of production management costs and increasing their management efficiency	Determination of the main functions of cost management and their objectives in increasing their efficiency of the current system of cost management. Ensuring the effective functioning of the newly created system.
Implementation of the system of production cost management.	Following the process of implementation of the system of production cost management. Evaluating the effectiveness of its functioning at the stage of implementation of new or modernized functional sub-systems of the system of production cost management.	Creation of a working group of managers for the development of a plan for system implementation, which defines the main terms of performance of the main events and responsible persons are appointed.

Source of the information: composed by the authors based on: К. В. Чичуліна, О. С. Петровець, 2015.

Classical methods of cost analysis of agricultural enterprise require consistent implementation of analytical operations: generalizing cost analysis for all types of enterprise's; activities cost analysis on certain types of activities (operational, financial, investment); cost analysis on individual directions of production and business activities (expenses plant growing industries, livestock, farming agricultural services, administrative expenses); the analysis of the costs per 1 UAH and / or 1 centner of products per 1 UAH of total rendered services; factor cost analysis; analysis of

operational activity costs according to economic elements. This algorithm is based on the financial and statistical reporting and is held, as a rule, according to the results of the reporting period (quarter, year). Its aim is to assess the dynamics of costs as a separate direction of the analysis or considering changes in income when financial results are analyzed. In our view, production cost analysis should be performed more often, for rapid response to the reformation of the environmental conditions and adapt to changes of equipment, technology, staff, range of products, etc. However, the algorithmic sequence of analysis of costs for economists should have advisory character and used depending on the purpose of research partially or comprehensively. The analysis requires consideration of different approaches to the calculation of operating costs depending on the completeness of their coverage.

Funding sources for each group of personnel costs should be structured (tab. 3).

Table 3. The structure of personnel costs by the source of funding

Group of expenses	Source of funding
The costs associated with wages. Expenditures connected with the ensuring of the personnel selection.	Cost of products (goods, work, services)
Administrative management	Individual budget or cost of products (goods, work, services)
Expenditures connected with the provision of education or introduction into specialty for employees.	A certain fund, the amount of which is planned for the year
The costs connected with the changing place of residence of the employee when planning a business project	Costs related to the implementation of the business project
Expenditures on staff reductions	Reserve fund

Source of the information: composed by the authors based on: O. Ю. Амочов, 2014.

Reimbursement of personnel expenses depends on the source of their funding.

With the formation of an effective cost management system its structure has practical implications by which we mean the ratio of individual groups of costs according to certain features. The analysis of the cost structure is aimed at justifying measures to save all kinds of resources and reducing production costs, choosing optimal methods of calculation, forecasting dynamics of production costs, developing pricing policies and strengthening the market position of the agricultural enterprise.

It's necessary to analyze the dynamics and structure of the actual cost of the agricultural enterprise according to particular algorithmic sequence at the initial stage (tab. 3).

Table 3. The dynamics and structure of the actual operating costs of the State Enterprise "Agricultural enterprise Mashivske Penal colony State Administration of Prison Service of Ukraine in Poltava region (№ 9)", 2012-2014

Indices	Years						Deviation in 2014 from 2012	
	2012		2013		2014		thosanands UAH	percent
	thosanands UAH	%	thosanands UAH	%	thosanands UAH	%		
All operating costs	11,693	100	12,438	100	15,712	100	4,019	-
Including the cost of sold products (goods, work, services)	10,575	90.4	10,845	87.2	14,585	92.8	4,010	2.4
Administrative costs	762	6.5	885	7.1	943	6	181	-0.5
Sale expenses	242	2.1	199	1.6	139	.9	-103	-1.2
Other operating costs	114	1	509	4.1	45	.3	-69	-.7

Sources of information: calculated according to the statistical statements.

There was a significant increase of actual operating costs of the investigated company during 2012-2014 – from 11,693 thousand UAH to 15,712 thousand. UAH, i.e. 4,019 thousands UAH, due to rising cost of sales to 4,010 thousands UAH while decreasing the amount of sales and other costs of 103 thousand UAH and 69 thousand UAH respectively. Such significant changes in the dynamics of actual operating costs led to structural changes. The share of cost of sales in the structure increased by 2.4% points with the decrease in the share of administrative costs by .5%, the cost of sales - by 1.2%, other operating expenses – by .7%.

The analysis of structure of actual costs allow determine the composition of material production costs, which should be analyzed to make timely, operational business decisions at agricultural enterprises, in particular, the cost of marketed products (goods and services). Currently existing forms of statistical reporting of agricultural enterprises do not provide recording information according to the elements particularly of sales, let us consider the articles of production costs in plant growing branches (tab. 4) and livestock farming (tab. 5), with sufficiently high representativeness, it will allow to describe the cost structure of the investigated company.

Table 4. The structure of production costs of crop production of the State Enterprise "Agricultural enterprise Mashivske Penal colony State Administration of Prison Service of Ukraine in Poltava region (№ 9)", 2012-2014, %

Kinds of products	Direct material costs	Direct labor payment costs	Other total direct costs and general production costs	Depreciation of fixed assets
2012				
Corn for grain	89.9	7.7	2.4	0.9
Barley	92.0	5.5	2.5	1.3
Oats	86.4	8.0	5.7	2.3
Sunflower for grain	96.0	2.8	1.2	0.4
Soya	95.2	2.3	2.6	1.6
Total	93.7	4.5	1.9	0.8
2013				
Wheat	85.8	5.7	8.5	1.2
Rye	87.8	4.1	8.2	4.1
Corn for grain	74.1	4.1	21.8	1.0
Barley	82.8	4.6	12.5	2.2
Sunflower for grain	76.3	3.4	20.3	0.6
Soya	94.0	3.2	2.9	1.9
Total	81.0	4.5	14.5	1.2
2014				
Wheat	78.7	2.9	18.4	2.5
Rye	82.2	4.1	13.7	3.1
Corn for grain	82.6	4.1	13.3	3.1
Barley	75.0	4.9	20.1	4.3
Oats	83.9	2.4	13.7	4.8
Sunflower for grain	86.0	3.4	10.5	3.7
Soya	90.9	3.2	5.9	3.2
Total	81.0	3.7	15.3	3.3

Sources of information: calculated according to the statistical statements.

Because of the fact that production costs affect the final financial result, they are the most important, they need a more detailed and operational analysis as to their assessment for the establishment of the amounts and reasons for deviations and timely response to the negative dynamics. It is considered appropriate (in this case, according to the direct material costs) to conduct pre-studies project and generate reports on their results every week or every ten days. Thus the conclusions concerning these costs should be done in less than usual time that will simplify their analysis and allow form an effective system of cost management.

Table 5. The structure of production costs of livestock farming produce of the State Enterprise "Agricultural enterprise Mashevske Penal colony State Administration of Prison Service of Ukraine in Poltava region (№ 9)", 2012-2014, %

Kinds of products	Direct material costs	Direct labor payment costs	Other total direct costs and general production costs	Depreciation of fixed assets
2012				
The growth of live weight of:				
-cattle	80.3	8.5	11.2	2.0
- pigs	77.8	10.6	11.6	1.1
- sheep	77.4	8.6	14.0	-
- poultry	54.5	29.5	15.9	4.5
Milk	84.5	8.5	7.0	1.6
Eggs	57.6	24.2	18.2	6.1
Total	81.8	9.1	9.1	1.6
2013				
The growth of live weight of:				
-cattle	68.1	10.3	9.1	2.0
- pigs	74.7	11.3	14.0	1.1
- sheep	71.0	8.7	20.3	6.1
- poultry	52.4	29.5	18.1	4.2
Milk	84.1	8.9	7.0	1.6
Eggs	41.8	35.3	23.0	6.3
Total	81.1	10.0	8.8	1.7
2014				
The growth of live weight of:				
-cattle	79.2	14.3	6.5	1.3
- pigs	80.3	10.7	8.9	.0
- sheep	50.6	21.6	27.8	.1
- poultry	67.6	14.9	17.5	4.5
Milk	68.9	20.9	10.2	4.8
Eggs	44.0	17.3	38.7	13.8
Total	73.5	17.3	9.2	3.0

Sources of information: calculated according to the statistical statements.

The structure of the production costs of the State Enterprise "Agricultural Enterprise Mashivske PC SAPSU in Poltava region (№ 9)" by economic elements shows the ratio of certain types which were consumed in the process of production of

resources (factors of production). According to the cost structure by economic elements the production at the State Enterprise "Agricultural Enterprise Mashivske PC SAPSU in Poltava region (№ 9)" can be classified as belonging to one of three types: raw material intensive, labor-intensive, capital-intensive.

In 2014 the structure of production costs of plant growing product of the agricultural enterprise was dominated by direct material costs in a variations from 75% in the production of barley to almost 91% in growing soybeans. In livestock farming in 2014 direct material costs also prevailed and all for types of products exceeded 73% of total production costs, the direct labor payment costs were on the second place - more than 17%.

Thus, agricultural production at the State Enterprise "Agricultural Enterprise Mashivske Penal colony State Administration of Prison Service of Ukraine in Poltava region (№ 9)" can be described as a material intensive. Therefore, the main reserves to reduce the production cost of production of both branches are saving material resources, optimizing the use of raw materials and materials, and organizing logistics (material and technical provision).

Another major cost analysis during the implementation of industrial and economic activity of agricultural enterprises is the analysis of operating expenses by economic elements and per 1 UAH of marketed products. Determining the structure of operating expenses by economic elements allows define the role of individual elements in the total costs and identify reserves of their prospective decrease. According to Accounting Standard number 16 "Expenses" the operating expenses are divided by elements on: material costs, labor costs, deductions for social events, depreciation and other operating expenses (tab. 6).

While investigating structural changes in operating cost of sales at State Enterprise "Agricultural Enterprise Mashivske PC SAPSU in Poltava region (№ 9)" in 2014 compared to 2012. A slight decrease in the share of material costs in the structure of operating expenses and increase the share of labor payment costs - by 3.4%, and a gradual increase in spending for social events, the amount of which under the law is correlated with the size of labor payment. The identified tendencies that demonstrate certain regularity as reducing the share of material costs, depreciation and other operating expenses are accompanied by increased share of other costs. The analysis of operating costs level per unit of sales during the years 2012-2014 showed the decrease in the actual material costs and per 1 UAH of depreciation marketable products, the economic effect of which is offset by in significant reduction in revenues from product sales (3.3%) and leads to the reduction in profit in 2014 compared to the 2012 by 26 thousand UAH.

Table 6. The elements of operating expenses of the State Enterprise "Agricultural Enterprise Mashivske Penal colony State Administration of Prison Service of Ukraine in Poltava region (№ 9)", 2012-2014.

Indices	Years						Deviation	
	2012		2013		2014			
	thousands UAH	%	thousands UAH	%	thousands UAH	%	thousands UAH	percentage
Operating expenses - total	16,809	100	12,183	100	15,694	100	-1,115	-
per 1 UAH of marketable products	1.1	x	1	x	1.1	x	0	x
Material costs	9,829	58.4	5,053	41.5	8,546	54.5	-1,283	-3.9
per 1 UAH of marketable products	.7	x	.4	x	.6	x	-.1	x
Salary expenses	4,147	24.7	4,264	35	4,415	28.1	268	3.4
per 1 UAH of marketable products	.3	x	.4	x	.3	x	0	x
Spending for social events	717	4.3	780	6.4	889	5.7	172	1.4
per 1 UAH of marketable products	.05	x	.06	x	.1	x	.05	x
Depreciation	887	5.3	775	6.4	736	4.7	-151	-0,6
per 1 UAH of marketable products	.06	x	.06	x	.05	x	-.01	x
Other operating expenses	1,229	7.3	1,311	10.8	1,108	7	-121	-0.3
per 1 UAH of marketable products	.08	x	.1	x	.08	x	0	x

Sources of information: calculated according to the statistical statements

Conclusions

Thus, the importance of research cost indices are the indicators by which the performance of agricultural enterprises for a certain is on the stage of pre-project investigations period. The drawbacks in the formation of effective cost management system, including the reproduction and use of labor resources are identified. A detailed analysis and assessment of the dynamics and structure of the level of cost at the agricultural enterprise, grouped by types of branches has been made.

The main direction of future work is a factor analysis of production costs, which will help to identify the factors that affect the amount of the cost of production most of all.

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