

*T. I. SHUTKO, post-graduate student**
Dnepropetrovsk State University of Agrarian and Economics

Economic content of the «costs» category

Scientific problem. The main problem of modern economic development is low competitiveness of Ukrainian products due to high expenses for its manufacture. Such situation is explained by the fact that directors and experts of most enterprises do not pay proper attention to costs management, although the environment of fierce competition requires not only to plan its accounting, but also to analyse and control costs permanently, to search minimization ways. Maximization of income is the main task of activity of any enterprise and in order to get it, economic entities have to pay considerable attention to the costs, as at the same time, they are the main limiter of profit and specifically influence the volume of products supply. But it is not possible to get high profit while the major problem is to define the concept content of the “costs” economic category. The “costs” concept has a centuries-old development history. During this period of time enormous amount of definitions of this economic category, from the point of view of different criterion of classification, were given by both home and foreign scientists.

Analysis of recent researches and publications. The question of essence of the “costs” economic category was investigated by the leading home and foreign scientists. In particular, this question was investigated by such scientists as P. Y. Atamas, I. A. Blank [1], F.F. Butynets [2], S. F. Holov, R. Anthony, L. Napadovska, Y. P. Pasternak [7], A.M. Turylo [10] and J. Foster. Despite the large amount of researches that have been carried out previously by scientists, the economic literature still shows ambiguous definitions of

the costs concept. Also, analysis of the literature sources has shown that in the works of scientists two categories, that are called “costs” and “expenses”, are usually investigated. Absence of unity in understanding of the content on this concept considerably reduces the objectivity of its understanding.

The objective of the article is to study and generalize points of view of the economic theory representatives in domestic and foreign sources concerning economic essence of the costs as an economic category, taking into account scientific achievements of scientists-predecessors.

Statement of the main results of the study. Any enterprise in the process of economic activity has to make sure of its profitability. However, achievement of the desirable results is impossible without costs incurring. Costs management organization has to be based on efficiency, accuracy and the correspondence principle.

Economic essence of the costs management process is determined by such categories as costs, expenses and self-costs. Difference between these economic categories, as characteristics of the productive function of the enterprise, consists in the following. J. Schumpeter marked that the costs - are “all costs of the entrepreneur that are related to production. They include compensation to the entrepreneur for his work, lease of his patch of land and the risk premium...” [12].

Marshall A. calls “costs of different types of labour that are directly or indirectly involved in the production process, along with ... expectations, that are necessary for accumulation of its capital used in the production, in other words, all these efforts and sacrifices together ...” as production costs, and he calls “amounts of

* Scientific supervisor – O.I. Datsii, doctor of economic sciences, professor.

© T.I. Shutko, 2016

money that have to be paid for these efforts and sacrifices ... they make the price that have to be paid for the proposal of effort and sacrifices necessary to produce this product ...” [5] as production expenses.

Modern economic encyclopaedia defines costs as the use of material, labour, financial, natural, information and other types of re-

sources in monetary terms to provide the process of expanded reproduction. In addition to the above, it is obvious that the self-cost is a monetary value of the current production costs and sales. The monetary values of price of economic resources spent by the economic entity in performance of any action form the concept of costs (Figure 1).

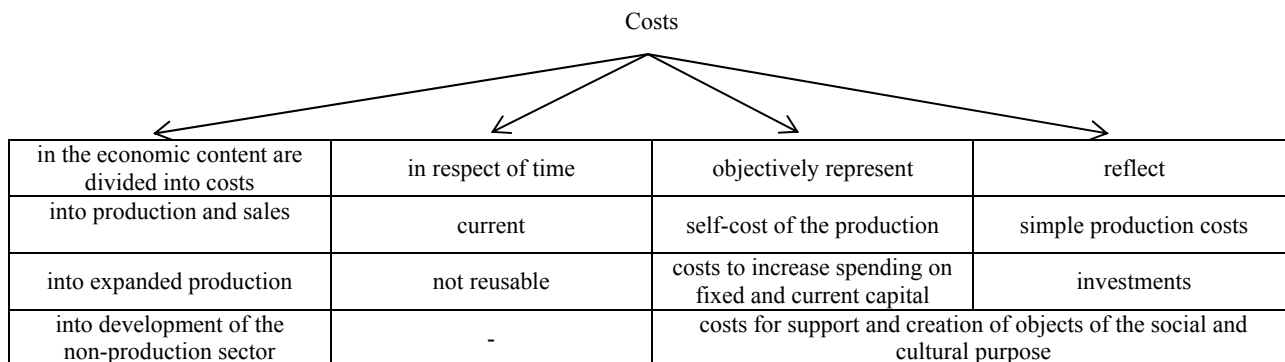


Figure 1. Formation of the «costs» category

Source: developed by author.

The concept of economic resources as a source, production tools and sales of products is a fundamental concept of the economic theory. There are the following types of economic resources: natural (raw, geophysical), labour (human capital), capital (physical capital), operating assets (materials), information, financial (monetary capital). In opinion of the team of authors, “... costs are the financial costs to get profits during certain period of time” [11]. Costs are formed at the expense of elements that are related to the production self-cost and payments from profit of the enterprise. Costs are associated with providing of production with resources, acquisition of materials, equipment, remuneration of labour, repair of equipment, payment of interests on loans, rental payment, taxes payment and etc.

From the point of view of F. Drucker, analysis of the cost changes dynamics lies in the basis of an effective business management: “... We have to see the relationship and interaction between resources and results, efforts and achievements, incomes and expenses” [4].

Osipov Y. M. investigates costs from the point of view of trade and money management as an economic environment of the enterprise functioning [6]. Enterprise organizes economic process through production management of the economic goods (economic function), and car-

ries out the direct productive process (productive function). The enterprise appears as a unity of two organizational systems: managerial and productive. According to the “Theory of economy” of Y. M. Osipov, “all components of the production process – are its factors, as they are involved in the production process through an exchange as products” [6].

Economic activity of the enterprise is based on cash flows. Money form a starting and stopping points of every economic cycle. Enterprise starts the economic cycle with prepayment of costs - it invests money, that in a result have to grow, to produce new money, to return with the increase of income (Figure 2). Monetary funds advance money for the purchase of production factors that have the use value and have the capacity for productive interaction that provides production of additional cost. Factors are involved in the production process as the use value. Its use is not only consumption of value, but at the same time, it is a creation of a new value, a new benefit, that embodies the new use value. New economic benefit is created and implemented as the use value. The new benefit is related to all the other benefits, it can be exchanged for any other benefit at certain amount of the monetary units, at that, displaying its monetary nature and reproductive function.

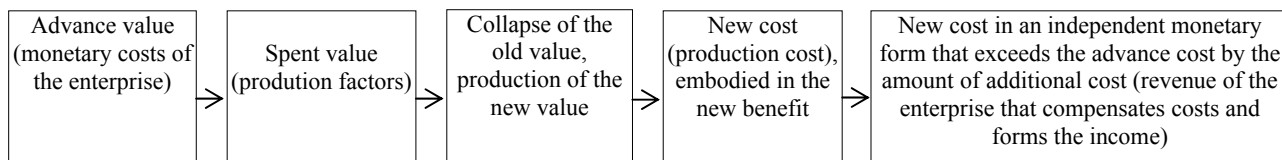


Figure 2. Process of the value self-expansion by Y. O. Osipov [6]

All economic activity of the enterprise is subordinate to costs and its self-expansion. The economic cycle begins with the costs and it ends with the costs as well. The enterprise focuses on the costs all the time. It is, so to say, a “slave” of costs, its flow and change. The enterprise carries out its activity together with costs and to form costs.

Such scientists as F. F. Butynets, V.Y. Plesa, and Z. P. Ril suggest considering reduction of economic benefits as a result of assets disposal or increase of liabilities that are related to reduction of property assets (except for decrease of the capital by means of contributions from owners) as costs. This definition almost completely corresponds to the Generally Accepted Accounting Principles (Standards) 1 “Financial Accounting General Requirements”. The term “costs” is given here in the meaning of: decrease of economic benefits in the form of assets disposal or increase of liabilities, that lead to decrease of property assets (except for decrease of the capital by means of its removal or distribution by the owners)” [8]. But S.F. Holov does not agree with such interpretation of the concept. He presumes that the costs by no means relate to property asset, production costs lead to appearance (increase) of assets, in particular – WIP (work in progress).

R. Anthony and J. Rhys determine costs as expression of the monetary value of the resources used to reach certain goals and identify them with the “self-cost” notion. In other words - the costs are determined by usage of resources that have to be shown in the money measurement for a specific purpose. We disagree with the proposed identification because the self-cost is expressed only in the monetary form, and production costs are expressed both in the monetary and in natural forms[2].

The large economic encyclopaedia defines: “costs are production payments in the cash or cashless form that are related to the production of goods, implementation and grant of services with its further sales”. We presume that the concept is defined not fully, because such types

of costs as financial costs, operational costs, costs from participating in the capital and etc. are not mentioned.

According to I. A. Blank, costs (operational costs) – are expressed in the value form of costs of material, labour, not material and financial resources to carry out operational activity of the enterprise [1]. Y. P. Pasternak, in his turn, considers costs only as expenditure of the monetary resources to buy resources to provide the production process [7]. In our opinion, the above mentioned statements reveal the economic essence of costs not to the full extent.

Considerably much attention is paid to the costs by the academic economists that investigate management problems. First of all, they are interested in management of costs of the enterprise. In particular, M. H. Hreshchak and O. S. Kotsiuba interpret costs of the enterprise as “volume of used resources of the enterprise in the monetary measure for achievement of a certain goal...As far as is known, costs can be of two types: investment costs (one-time) and current costs” [3]. M. I. Trubochkina, studying problems of the enterprise expenses management, judges from the axiom of identification of “costs” and “expenses” concept. To her opinion, “costs of material, labour, financial, natural, information and other types of resources in the value expression are expenses of the enterprise” [9]. A. A. Turylo and Y.B. Kravchuk affirm that costs are “the value expression of absolute amount of applied-consumable resources that are necessary to carry out production and economic activity of the enterprise and to achieve the desired goal by the enterprise” [10].

Determination of “costs” concept becomes complicated with parallel existence of the “expenses” concept in Ukrainian language, and of separate “expenses” (entry losses), “charges” (production costs) and “spending” (period expenses) concepts in Russian language. L.V. Napadovska thinks that charges are connected directly to formation of the production self-cost (works, services) in the process of

economic activity, and costs, as decrease of economic benefits during the reporting period are connected to increase of liabilities of the enterprise that leads to capital decrease.

Conclusions. The analysis of economic literature sources allows to make a conclusion that quite often authors, lighting up the problems of costs, use “costs”, “expenses” and “self-costs” concepts either in identical, or in different interpretation. As costs are expressed as self-costs, a number of economists make these concepts equal. Others disagree with this opinion and are sure in the opposite idea.

Summarizing the indicated definitions of the costs concept, we can make a conclusion that there is no single approach to define essence of the costs concept in the economic literature, it is ambiguous, sometimes controversial and has certain disadvantages.

In our opinion, it is rational to call stocks, fixed assets, labour and intellectual resources and also reductions (payments) of obligations of the enterprise to the budget, creditors and other legal and natural persons fully or partly used in the process of economic and financial activity of the enterprise, as costs.

References

1. Blank, I.A. (2007), *Upravlenie pribyl'ju* [Management profit], 3rd ed, Nika-Centr, Moscow, Russia.
2. Butynets', F.F. and Maliuha, N.M. (2002), *Bukhhalters'kyj oblik v torhivli* [Accounting trade], Ruta, Zhitomir, Ukraine.
3. Hreschak, M.H. (2002), *Upravlinnia vytratamy* [Cost management], KNEU, Kyiv, Ukraine.
4. Druker, P. (2001), *Jeffektivnoe upravlenie. Jekonomicheskie zadachi i optimal'nye reshenija* [Effective management. Economic problems and optimal solutions], FAIR-PRESS, Moscow, Russia.
5. Marshall, A. (1993), *Principy jekonomicheskoy nauki* [Principles of economics], Progress,
6. Osipov, Ju.M. (1997), *Teorija hozjajstva* [The theory of farms], Izdatel'stvo MGU, Moscow, Russia.
7. Pasternak, Ya.P. (2010), “Accounting and cost analysis of the basic: organization and method”, Ph.D. Thesis, Accounting, Analysis and Audit, Zhitomir, Ukraine.
8. Ministry of Finance of Ukraine (2013), National Accounting Standard 1 «General financial reporting requirements», available at: <http://zakon4.rada.gov.ua/laws/show/z0336-13> (Accessed 18 March 2014).
9. Trubochkina, M.I. (2006), *Upravlenie zatratami predpriyatija* [Enterprise cost management], Infra – M, Moscow, Russia.
10. Turylo, A.M. Kravchuk, Yu.B. and Turylo, A.A. (2006), *Upravlinnia vytratamy pidpriemstva* [Cost management enterprise], Tsentr navchal'noi literatury, Kyiv, Ukraine.
11. Lebedev, V.G. (2000), *Upravlenie zatratami na predpriyatii* [Cost management in the enterprise], Biznes-pressa, Moscow, Russia.
12. Shumpeter, J. (1982), *Teorija jekonomicheskogo razvitija* [Theory of economic development], Progress, Moscow, Russia.

The article has been received 6.11.2015

* * *

Новини АПК

Мінагрополітики поглиблюватиме міжнародну співпрацю у 2016 році

«Розширення міжнародного співробітництва – один з пріоритетів діяльності Мінагрополітики України в 2016 році. Зокрема, планується активізувати діяльність щодо укладення угод про зону вільної торгівлі з державами-партнерами України – Ізраїлем, Туреччиною та В'єтнамом», – наголосив Міністр аграрної політики та продовольства України Олексій Павленко.

За його словами, у планах Міністерства на наступний рік – підписання Угод та Меморандумів про співробітництво в галузі сільського господарства з Індонезією, Індією, Китаєм та Іспанією. Продовжаться переговори з міжнародними та регіональними фінансовими інституціями з метою залучення фінансових ресурсів, зокрема з Міжнародною фінансовою корпорацією, Міжнародним банком, Європейським банком реконструкції та розвитку та Європейським інвестиційним банком.

Також передбачається проведення двосторонніх переговорів з керівниками відповідних міністерств та відомств іноземних держав з метою популяризації виробничого потенціалу агропромислового комплексу України і поглиблення співробітництва з ключовими партнерами.

Міністр зазначив, що для розширення міжнародної співпраці буде проведено ряд двосторонніх зустрічей з представниками Європейської Комісії, а також проведено чергові засідання міжурядових комісій з Арабською Республікою Єгипет, Королівством Саудівська Аравія та Китайською Народною Республікою.

Прес-служба Мінагрополітики України