

## БУХГАЛТЕРСЬКИЙ ОБЛІК, АНАЛІЗ ТА АУДИТ

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**Holovchak Hanna**

Ph.D in Economics, Associate Professor,  
Lviv National University named after Ivan Franko  
ORCID: <https://orcid.org/0000-0001-8986-4048>

**Ganusyk Anastasiya**

Student,  
Lviv National University named after Ivan Franko

**Головчак Г. В.**

кандидат економічних наук, доцент кафедри обліку і аудиту,  
Львівський національний університет імені Івана Франка

**Ганусик А. І.**

студентка,  
Львівський національний університет імені Івана Франка

### ACCOUNTING, ANALYSIS AND INTERNAL CONTROL OF THE CALCULATION PROCESS AT FULL COST: DOMESTIC AND INTERNATIONAL EXPERIENCE

### ОБЛІК, АНАЛІЗ ТА ВНУТРІШНІЙ КОНТРОЛЬ ПРОЦЕСУ КАЛЬКУЛЮВАННЯ ЗА ПОВНИМИ ВИТРАТАМИ : ВІТЧИЗНЯНИЙ ТА МІЖНАРОДНИЙ ДОСВІД

*The results of the enterprise directly depend on the income received and expenses incurred. Accounting in a broad sense should not only provide information to determine the result of work, but also to develop a rational system of collecting and processing information, ie to offer the most optimal way of knowing the objects of study. As for the calculation of the financial result of the period, its result will directly depend on how fully and systematically we calculate the costs. Moreover, this is actually the choice of the most effective method of cost accounting for the company. That is why the topic of scientific article is relevant and needs further development and research. Methods of accounting for production costs and costing belong to the field of research and combine a set of methods and techniques that allow you to effectively and efficiently perform accounting tasks for these costs. These methods and techniques consist of such accounting procedures as documentation, systematic and consistent reflection of costs, determination of the actual cost of production, as well as justification of the order of allocation of costs per unit of output.*

**Keywords:** costs, accounting, cost accounting method, costing, cost analysis, internal cost control, full costs, experience.

*Результати діяльності підприємства безпосередньо залежать від отриманих доходів і здійснених витрат. Бухгалтерський облік у широкому розумінні повинен не тільки давати інформацію для визначення результату роботи, а й розробляти раціональну систему збору й обробки інформації, тобто пропонувати найбільш оптимальний спосіб пізнання об'єктів дослідження. Що стосується розрахунку фінансового результату періоду, то його результат буде прямо залежати від того, наскільки повно і системно ми розраховуємо витрати. Більше того, це фактично вибір найбільш ефективного методу обліку витрат для підприємства. Саме тому тема статті є актуальною і потребує подальшого розвитку та дослідження. Методи обліку витрат на виробництво та калькулювання собівартості належать до сфери досліджень і поєднують у собі комплекс методів і прийомів, що дозволяють ефективно та якісно виконувати завдання обліку цих витрат. Ці методи і прийоми складаються з таких облікових процедур, як документальне, систематичне і послідовне відображення витрат, визначення фактичної собівартості продукції, а також обґрунтування порядку віднесення витрат на одиницю продукції. Метою статті є вивчення особливостей обліку, аналізу та внутрішнього контролю процесу калькулювання повної собівартості в Україні та світі. Відповідно до мети статті послідовно вирішувалися наступні завдання: розглянути та охарактеризувати повний процес калькулювання собівартості; описати особливості різних методів обліку витрат; порівняти методи обліку витрат в Україні та світі; вивчити особливості аналізу та внутрішнього контролю калькуляції повних витрат; надати рекомендації щодо вдосконалення обліку, аналізу та контролю сукупних витрат на підприємстві. Предметом дослідження є обліково-аналітичні та контрольні процедури в процесі калькулювання повної собівартості. Методологічну основу дослідження складають такі методи обліково-економічного аналізу як спостереження, порівняння, узагальнення та групування, аналіз, синтез, індукція, дедукція.*

**Ключові слова:** аналіз, внутрішній контроль витрат, витрати, метод обліку витрат, облік, повні витрати, досвід.

**Problem statement.** In a market environment, each entity seeks to obtain information that will enable it to make the most effective management decisions. One of the most important components of such information is cost information. The key is not so much the overall level of costs incurred in the process of the enterprise, as their structure, cost accounting methods, information that can identify features and shortcomings of the activity, as well as determine development strategy and potential risks for the future.

**Analysis of previous publications and research.** Calculating financial results in the system of financial and management accounting most often use the system of calculation of full costs and the system of calculation of variable costs. The issue of costing at full cost is devoted to the works of leading domestic and foreign scientists-economists such as: M.B. Kulinich, J.O. Zhadanov, I.V. Yatskevich, O.I. Linnik, T.G. Kaminska, M.I. Skrypnyk, O.M. Bradul, V.A. Shepelyuk, J.P. Maidanevich, O.S. Khrynyuk, N.F. Vernigora, V.J. Tsaruk, G.G.Osadcha, V.V. Polyak, V.M. Grin, O.M. Romashko, T.M. Pisarenko, V.V. Zvyagintsev, R. Anthony, K. Drury, R.N. Mann, C.T. Horngren, J. Foster and others.

Despite the significant amount of educational and methodological and consulting materials, research papers and developments, the issues of methods of calculating the cost of production at full cost in enterprises and making management decisions based on this calculation system remain relevant. The analysis of literature sources showed that domestic and foreign economists pay more attention to the accounting system and the method of calculation of variable costs, which gives an incentive to explore the opposite accounting system and the method of calculation (at full cost).

**The purpose and objectives of article.** The purpose of writing a research paper is to study the essence of the method of calculation at full cost and to achieve the use of this accounting system in domestic and international experience. The task of research is to determine the main advantages and disadvantages of the method of calculation at full cost, to outline the main characteristics of this method of accounting and calculation, to explore the possibilities of using this method in enterprises and justify the choice of this method of accounting, as well as to determine the features of analytical procedures and control parameters when conducting internal cost control.

**Presentation of the main material of the article.** In the course of its activities, the company must incur various costs. At the same time there is a need to determine the amount of costs associated with the production of a unit of output. Everything would be simple if the company did not incur costs that are general in nature and can not be attributed directly to a particular type of product (works or services). Therefore, when calculating the cost of production, a

special place is occupied by the question of attributing to the cost of a particular type of product of certain indirect costs. With a reasonable approach to solving this issue, it is possible for the company to achieve significant benefits both in terms of taxation and in terms of operational accounting. Opportunities are being created for tighter control over indirect costs and, as a result, savings opportunities.

Calculation is a system of economic calculations of the unit cost of certain types of products, works or services. The task of calculation is to determine the costs per unit of the object of calculation, ie per unit intended for the sale of products (works, services). The end result of the calculation is the preparation of calculations – a document that provides tabular information about the composition and amount of costs.

If we talk about the concept of accounting and costing at full cost, then according to this method, the cost of the object of accounting includes all costs associated with the production and sale of products, regardless of their division into fixed and variable, direct and indirect. That is, the method of accounting and calculation of full costs allows you to obtain information about all the costs of the enterprise associated with the production and sale of products.

A system based on the use of the method of cost accounting and full costing, which includes the collection of cost information, calculation of the total cost of production and issuance of cost information, is called the system of accounting and costing. The total cost of production includes direct and indirect, production and non-production costs. Cost accounting options in the management accounting system depend on the characteristics of production technology and the goals that must be achieved using accounting information. The order of cost accounting must be substantiated and reflected in detail in the accounting policy of the enterprise.

The main costs related to the cost of finished products according to the system of calculation of full costs are:

- Direct materials. Those materials that are included in the finished product.
- Direct salary. Labor costs required to manufacture the product.
- Variable production overheads. Operating costs of the production facility, which depend on the volume of production. Examples are supply and electricity for production equipment.
- Fixed overheads. Operating costs of the production plant, which do not change depending on the volume of production. Examples – rent and insurance.

The method of calculating the full cost can be implemented in two ways: based on actual costs; based on regulatory costs. Accounting for actual costs is to form the cost of production on the basis of actual costs of the enterprise, which are accumulated consistently, without reflecting in the accounting data on the amount of costs according to the norms.

Actual costs are determined by the algebraic addition of costs by norms and deviations from them. The application of this method allows to determine the actual (or «historical») cost. The disadvantage of this option is that it eliminates the possibility of operational control over the use of resources, identifying and eliminating the causes of overspending and shortcomings in the organization of production, violations of technological processes, search and mobilization of internal production reserves.

Calculation of the cost of production at full loss can be carried out: by order; for processes; by centers of responsibility (based on production activities). The object of accounting when calculating orders is certain individual orders (projects). Each order (project) is given a separate number and put it in the primary cost accounting documents. This number is also used to group primary documents and costs for the order (project). Direct costs relate to the cost of the order based on the grouping of primary documents.

Overhead costs that are indirect are accounted for separately during the reporting period in separate accounts. At the end of the reporting period, they are attributed to the cost of individual orders by distribution. The actual cost of the order is determined only after its execution. If the order has many products, then to determine the actual unit cost of production, the total cost must be divided by the number of products. Calculation of the cost of production by processes is used in those industries where raw materials undergo a number of technological production processes, redistributions of production. Therefore, this method is also called preliminary. The costs of this method are calculated by processes (by redistribution) and types of products. The objects of calculation are semi-finished products after each process (redistribution) and finished products after the last process (redistribution).

The post-process method provides for two options for accounting for production costs: semi-finished product, which determines the actual cost of semi-finished products after each process (redistribution); without taking into account the cost of semi-finished products, at which costs are accounted for in processes (redistributions), but the cost of semi-finished products is not determined. Adding costs in processes (redistributions) determines the cost of finished products after the last process (redistribution).

The calculation system based on production activities is focused on controlling and reducing the duration of the production process, especially those operations that do not increase the value of the product (transportation, storage, control, etc.), which helps reduce costs and production costs. In this calculation system, production overheads are accounted for by the so-called «centers of production activity», and then distributed between types of products on the basis of distribution bases. That is, for each type of cost determine its base (factor) distribution, and then calculate the value of these costs per unit of their factor. The distribution base can be taken as

production indicators, number of employees, wages, number of hours worked.

There are two main options for cost accounting and calculation of the total cost of production, which can be provided in the accounting policy of the enterprise: Administrative and overhead costs are attributed to the cost of production, and marketing costs to the costs of the period; Overhead costs are attributed to the cost of production, and administrative and marketing costs to the costs of the period.

The first option of cost accounting and costing involves the following main stages:

1. Attribution to the cost of production, in addition to direct material, labor costs with deductions, overhead and administrative costs.

2. Distribution of production costs between finished products and work in progress. The cost of finished goods is defined as the balance of work in progress at the beginning of the period plus production costs for the reporting period minus the balance of work in progress at the end of the period.

3. Calculating the cost of goods sold and estimating the balance of finished products. The cost of goods sold is defined as the balance of finished products at the beginning of the period plus the cost of finished products for the reporting period minus the balance of finished products at the end of the period.

4. Assignment of marketing costs to the financial result.

The second option of cost accounting and costing includes the following main stages:

1. Attribution to the cost of production of direct material costs and direct labor costs with deductions and overhead costs.

2. Distribution of production costs between finished products and work in progress.

3. Calculating the cost of goods sold and estimating the balance of finished products.

4. Assignment of administrative costs and marketing costs to the financial result.

These variants of the method of cost accounting and calculation of the total cost of production do not take into account that with a change in output changes the unit cost of production, as well as changes in profit per unit of output. If the company increases production and sales, the unit cost decreases and the profit per unit increases. If the volume of production and sales decreases, the unit cost increases and the profit per unit decreases. After analyzing this system of calculation and calculation, you can get the following estimates according to the specified criteria:

In addition to the characteristics given in table 1, we can also say that the system of accounting and calculation of full costs is focused on full coverage of all costs and optimization (maximization) of profits and is the basis of long-term policy in production and marketing. This system is the best for use in long-term planning and for making internal management decisions. The system of accounting and use of the process of calculation at full cost has both advantages and disadvantages.

Table 1

**Characteristics of the system of accounting and calculation at full cost**

Criterion	Rating
Labor intensity	Not time consuming
Formation of production cost of production (works, services)	All production costs are included: both fixed and variable
Formation of expenses of the period	All administrative and marketing costs are included: both fixed and variable
Budgeting	It is impossible to accurately predict costs, the change of which is directly proportional to changes in production volumes (works, services)
Analysis of the factors influencing the change of the final result of the activity	The difficulty of determining the impact of reducing or increasing variable costs on the end result when making a management decision
Ability to recognize the break-even point and conduct a cost-volume-profit analysis	Not possible
Validity and quality of management decisions	Effective for making long-term management decisions
Control	Provides control of links between production and sales in the long run, but is not suitable for the short term

Developed on the basis of [12, p. 204], [6, p. 375]

The advantages of this system include:

1. No division of costs into fixed and variable and additional costs for it.

2. Allows to avoid entering into reporting of fictitious losses.

3. Reporting complies with generally accepted principles of preparation of financial and tax reporting.

4. Reflection of coverage of income from sales of products of each type or type of activity not only direct variable costs, but also fixed overhead costs.

5. Provides the information needed to make strategic decisions.

The disadvantages of this system include:

1. Conditional nature of the distribution of overhead costs.

2. Inclusion in the cost of production costs that are not directly related to production.

3. Determining the actual cost of production is possible only at the end of the period.

4. Complications of accounting and settlement procedures.

5. Does not provide information necessary for management decisions to change (expand or reduce) the segment of activity, optimize the production program of the enterprise, the feasibility of accepting a special (additional) order, inventory management and pricing.

In management accounting, the method of accounting and calculation at full cost should be used if: the company produces only one product or several products (but in a small amount relative to the main), or there is a stable range; the amount of overhead costs varies significantly between periods; the basis of the company's work are long-term contracts for a certain amount of work. Here is an example of the formation of the «Statement of financial results» in different systems of accounting for production costs and product calculation, using the source information given in table 2.

With the method of calculation at full cost, the calculation of the production cost of the unit:

Raw materials – UAH 62;

Salaries of the main production staff – UAH 41;

Variable production overheads – UAH 35;

Fixed production overheads (17,250,000 / 1,000,000) – UAH 17,25;

Total unit cost = UAH 155,25.

Natural production units were chosen as the basis for the distribution of production overheads. The distribution base is a cost or in-kind indicator in proportion to which indirect costs are distributed. Wherever costs are incurred, they must be allocated or prepared for distribution by product type. The basic principle of the income statement at full cost: Gross profit = Revenues from sales – The cost of goods sold (including all production costs). Operating profit = Gross profit – Administrative and selling expenses (fixed + variables). In the method of calculating variable costs, the calculation of the production cost per unit of output: Raw materials – UAH 62; Salaries of the main production staff – UAH 41; Variable production overheads – UAH 35; Total unit cost = 138 UAH. In the process of compiling the Statement of financial results in the system of «direct costing» the concept of «marginal income» is used. Marginal income («gross profit») is the difference between income from sales and variable costs [2, p. 236].

Marginal revenue = Sales volume – Variable costs. Marginal income = Fixed costs + Profit. The report on the financial results of the system for total and variable losses are given in table 3.

The difference in operating profit when applying these methods is: 119,625,000 – 117,900,000 = 1,725,000 UAH. This can be explained by the fact that fixed production overheads when using the method at full cost settle in the balance of finished products at the end (100,000 units × 17.25 = 1,725,000 UAH.). And with the method of variable costs the entire amount of fixed costs included in the costs of the period at the time of their occurrence. The amount of operating profit will be the same by

Table 2

## Information on the company's activities for the year

№	Indexes	indicator value
1.	The planned volume of production, units	1,000,000
2.	The actual volume of production, units	950,000
3.	Volume of sold products, units	850,000
4.	The balance of finished products at the beginning of the period, units	0
5.	Unit price, UAH	350
6.	Variable costs per unit of output, UAH	
6.1	Raw materials	62
6.2	Wages of the main production staff	41
6.3	Variable production overheads, UAH	35
7.	Variable costs of sales per unit of output, UAH	43
8.	Fixed sales costs, UAH	8,500,000
9.	Fixed production overheads, UAH	17,250,000

Table 3

## Statement of financial results

At full cost			At variable costs		
№	Indicator	indicator value	№	Indicator	indicator value
1.	Revenue from sales (850,000 * 300)	297,500,000	1.	Revenue from sales (850,000 * 300)	297,500,000
2.	The balance of finished products at the beginning	0	2.	The balance of finished products at the beginning	0
3.	Manufactured products	147,487,500	3.	Manufactured products	131,100,000
4.	The balance of finished products at the end	15,525,000	4.	The balance of finished products at the end	13,800,000
5.	The cost of goods sold	131,962,500	5.	The cost of goods sold	117,300,000
6.	Adjustments for fixed production overheads (1,000,000 - 950,000) * 17.25	862,500	6.	Variable sales costs	36,550,000
7.	Adjusted cost of goods sold	132,825,000	7.	Total variable costs	153,850,000
8.	Gross profit	164,675,000	8.	Marginal income	143,650,000
9.	Variable sales costs	36,550,000	9.	Fixed production overheads	17,250,000
10.	Fixed sales costs	8,500,000	10.	Fixed sales costs	8,500,000
11.	Total operating costs	45,050,000	11.	Total fixed costs	25,750,000
12.	Operating profit	119,625,000	12.	Operating profit	117,900,000

two methods only if the company will not have a balance of finished products at the end of the period, all products will be sold.

The domestic system of calculating the cost of production involves calculating the full cost. In Western countries, a system of calculating for incomplete (variable) costs – the system of «direct costing» (also called «variable costing» or «marginal costing system»), which appeared in the 30s of the twentieth century in the United States. The essence of this costing system is that not all costs are included in the cost, which greatly simplifies the costing process and makes it more efficient, ie part of the indirect costs (administrative costs and marketing costs) are not included in the cost, but considered period costs and subtracted from revenue for the reporting period in the process of determining the operating profit of the enterprise.

In the highly developed countries of the world (countries of the European Union, the USA, Japan and others) both of these calculation systems are

widely used. However, the system of accounting and calculation of full costs is more common than the system of partial (variable) costs [7, p. 105].

An example of using the system at full cost in foreign countries is given in table 4. Imprint: Company manufactures and sells a product for \$ 20 per Kg. The data for the year is given below: Sales in kgs: 75,000 kgs; Finished goods inventory at the beginning of the period: 12,000 kgs; Finished goods inventory at the closing of the period: 17,000 kgs. Manufacturing costs: Variable cost: \$ 8 per Kg; Fixed manufacturing overhead cost: \$ 320,000 per year. Marketing and administrative expenses: Variable expenses: \$ 2 per Kg of sale; Fixed expenses: \$ 300,000 per year.

Well-known specialist in industrial accounting in the United States, Professor R. Anthony in 1965 wrote:

Most companies need three types of cost:

1. The cost of responsibility centers, which is used to plan and control the activities of the responsible executor.

Table 4

## Income Statement (Absortion Costing)

Sales		\$ 1,500,000
<b>Less cost of goods sold:</b>		
Opening inventory (12,000 kgs x \$ 12)	\$ 144,000	
Add cost of manufactured goods (80,000 * units x \$ 12 **)	960,000	
Cost of goods available for sale	1,104,000	
Less closing inventory (17,000 units x \$ 12)	204,000	900,000
Gross profit		\$ 600,000
<b>Less marketing and admin. Expenses:</b>		
Variable marketing and admin. expenses	150,000	
Fixed marketing and admin. expenses		
(75,000 units x \$ 2)	300,000	450,000
Net operating income		\$ 150,000

\* Production for the year: Units manufactured during the year = Units sold + Units in closing inventory – Units in opening inventory = 75,000 kgs + 17,000 kgs - 12,000 kgs = 80,000 kgs.

\*\* Manufacturing expenses per unit: Variable expenses + Fixed expenses = \$ 8 + (\$ 320,000 / 80,000 kgs) = \$ 8 + \$ 4 = \$ 12.

2. Full «programmable» cost, which is used for pricing and other operational decisions under normal circumstances.

3. Direct production cost, which is used for pricing and other operational decisions in specific circumstances, for example, when management intends to use unloaded capacity [1, p. 73].

It should be added that the use of only the method of calculating the calculation of incomplete (variable) costs leads to significant errors due to the impossibility of accurate division of costs into variable and fixed. In my opinion, if we entrust the use of the company only the method of calculating full costs using only the method of calculating partial (variable) costs, then from the point of view of economic security it is better to calculate the cost of production at full cost, because without fixed costs production will not function as such, so the assessment of inventories should involve a constant component of production costs.

Grouping costs by costing items provides an opportunity to analyze the target direction of consumption of material and other resources. The composition and content characteristics of the articles are determined separately for each type of economic activity and reflect the characteristics of production processes. Note that for the vast majority of companies, the list of calculation items, regardless of the type of activity, is as follows: 1) raw materials and supplies; 2) consumer semi-finished products and components; 3) works and services of a production nature of third-party enterprises and organizations; 4) fuel and energy for technological purposes; 5) returnable waste; 6) basic salary; 7) additional salary; 8) social security contributions; 9) costs of preparation and development of production; 10) costs for maintenance and operation of equipment; 11) overhead costs; 12) losses from marriage; 13) related products; 14) other production costs; 15) non-production losses.

Enterprises, of course, can independently adjust this calculation list of items taking into account the

production specifics of the relevant type of economic activity. Note that the classification of costs by costing items is most appropriate in cases where it is an absolute value of the cost of production or a particular type. This classification allows you to take into account the costs of their origin and purpose, calculate the cost of individual products, determine under the influence of which factors change the total cost, which helps to find additional ways to reduce (optimize) their level. However, the grouping of costs by economic elements is necessary to analyze the economic results of economic activity of enterprises.

Costs on this basis are determined for the enterprise as a whole in order to analyze the cost structure in general, compare it with the cost structure of other enterprises of this type of activity, analyze the dynamics of changes in the cost structure over a period. In addition, the classification of costs by economic elements allows you to combine the planned operating costs with the financial plan of the enterprise and is the basis for planning its working capital. The cost element is an economically homogeneous type of enterprise costs that cannot be divided into parts.

In Ukraine, according to the provisions (standards) of accounting, operating expenses are grouped by the following economic elements: 1) material costs; 2) labor costs; 3) deductions for social activities; 4) depreciation; 5) other operating expenses. The following operating costs are not included in the cost elements: 1) cost of goods sold; 2) the cost of sold foreign currency; 3) the cost of sold inventories and non-current assets. In addition, the Chart of Accounts for accounting of assets, capital, liabilities and business operations of enterprises and organizations and the Instruction on its application provides that a separate class of accounts 8 «Expenses by elements» be assigned to accumulate information on incurred expenses of the enterprise. Moreover, directly accounts 80 «Material costs», 81 «Labor costs», 82 «Deductions for social activities»,

83 «Depreciation», 84 «Other operating costs» are used to reflect the elements of operating costs.

In foreign business practice, the costs of production are grouped mainly by three elements: direct material costs, direct labor costs, production overheads, these cost elements are called cost items. The proposed list of cost items may be as follows: 1) material costs; 2) labor costs; 3) insurance costs; 4) depreciation; 5) works and services provided by contractors; 6) financial payments; 7) investment costs; 8) other operating expenses; 9) costs of the period not related to operating activities.

Internal control at the enterprise, in general, is a management tool that allows management to check the status of the tasks during the current (operational) control. Carrying out internal control over the calculation of the cost of manufactured products is to ensure sufficient confidence of the company's management in achieving the appropriate level of economy, efficiency and effectiveness in accordance with the objectives. The purpose of the internal control service at the enterprise is to ensure the possibility of making appropriate, prudent and rational management decisions and identify reserves in order to increase the efficiency and effectiveness of activities, as well as reduce costs. It should be noted that the current (operational) control over the use of material resources in the shops of enterprises, which have a wide range of items of material costs, is practically not conducted. Only further control, according to accounting data, is conducted by the accounting department after the end of the reporting period, and hence the period of use of these resources. This is due to the fact that the operation of the control system should be cost-effective, ie the cost of its operation should be less than the cost of the enterprise due to its absence. If the internal control system works effectively, it will reduce the cost of internal audit. To improve the system of control over the correctness of the calculation of the cost of production, it is possible to propose to introduce a document at the enterprise that would control the composition of overhead and variable costs per unit of output according to the inspector (controller) and the enterprise (primary documents) and show deviations between these two values. In addition, this document should help the controller to check the waste received during the processing of raw materials, the correctness of their accounting, use and sale.

An important step in improving control over material costs is their rationing, and the use of elements of the normative method of calculating the cost of production. Rational use of raw materials in production depends on the sound development and implementation of advanced technological standards of their costs. For this purpose the current system of rationing of expenses of materials for manufacture is checked, it is found out, what services carry out rationing, what norms are used at the enterprise, in what condition there is normative-technological documentation, conformity of applied norms to the

reached level of the organization and production technology; and materials. Particular attention is paid to the validity of the development of individual norms of material consumption for certain types of products, taking into account the specific features of the enterprise or shop. By comparing the current individual norms at the enterprise with the average industry norms or with the current norms at similar enterprises, deviations are found that characterize the progressiveness and effectiveness of these norms. The norms which provide considerable expenses of raw materials and materials on a detail, knot, a product in comparison with compared are subject to check. The auditor checks the group norms of consumption of raw materials and materials, which are developed for a group of enterprises that produce homogeneous products in the same conditions. At the same time attention is paid to the timeliness of implementation of the developed norms at the enterprise, and also on their progressiveness in comparison with earlier operating norms at the enterprise and the reached level of the organization and production technology. The norm provides an estimate of costs per 1 unit of production, and the estimate – an estimate of costs for the entire volume of production. If the internal control will analyze the cost per unit of output, rather than the entire volume of production, it will form a favorable price for the buyer, and faster and more objectively assess the amount of pre-tax profit from a certain volume of manufactured and sold goods.

The disadvantage of such a system of internal control over material resources is also that modern enterprises have almost no control over external resources, the price of which the company can hardly influence. The system of accounting for such resources should also be controlled, because all these indicators directly affect the value of the cost of manufactured products. A fairly significant issue in the organization of cost accounting is the correct distribution of overhead costs. The most important thing in this matter is the correct choice of the distribution base, which allows you to keep the cost of production at the most optimal level. This will allow you to get more profit, and consequently the net income of the enterprise.

Therefore, the proposed document should simplify the careful control over the calculation of the cost of production, it is proposed to make each time during the manufacture of a new batch and for each type of manufactured products and make adjustments at the time of this current (operational) control. Improving control over the distribution of overhead costs is to implement the organizational and methodological relationship of accounting and control; strengthening the efficiency of identification, generalization and grouping of costs and deviations in the context of responsibility centers and places of occurrence of costs; organization of planning and control at the stages of supply and implementation; organization of control primarily at the level of strategic planning,

where control has a significant effect in improving the efficiency of enterprises.

**Conclusions.** Thus, the activity of any enterprise involves the occurrence of certain costs, and the competitiveness of the company in modern conditions is largely determined by its ability to effectively manage its costs. Therefore, the choice of methods for determining the cost of production is one of the main tasks of management accounting. When choosing one or another calculation system, it is necessary to take into account that the method of accounting and calculation at full cost is relevant in the case when the company participates in price competition, or when the price of products is tied to full costs.

As practice shows, to make effective management decisions is not enough information about the cost, determined by only one method. Effective accounting policies enable management to properly perform its responsibilities for overseeing, conserving resources, reporting and meeting current legislation. The main problem with internal cost control is that companies often do not have a clear understanding of how to organize control, which creates a number of problems. The main reasons for this are the following: the lack of effective control parameters, employees with appropriate qualifications, methods, systems of evaluation indicators, etc. In order to

strengthen control, special attention should be paid to verifying the economic efficiency and feasibility of operations of enterprises, because the heads of individual departments sometimes do not understand the essence and effectiveness of decisions. The control of current economic activity should be carried out comprehensively, so specialists who know the economics and technology of production should do this.

The organization of the control process and its implementation in practice requires compliance with a number of requirements and standards, in particular: to develop a system of planned cost indicators and a system of standards for activities; for each individual object of management to specify the stages of the control process; for all objects of control to establish in advance scale of admissible deviations.

Thus, in order to implement an effective system of internal control of expenditures, it is first necessary to develop internal standards and regulations for control, to automate it and to improve the regulatory framework for internal control. The system of internal control affects both the financial condition and the results of economic activity, in order to ensure the objectivity, impartiality, quality of conclusions and proposals adopted because of inspections, internal control should be based on a defined concept.

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