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ISSUES ASSOCIATED WITH REDUCING THE COST OF MANUFACTURED GOODS IN JOINT STOCK COMPANIES

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Introduction

Several academics have suggested that in the previous few decades, there has been a growth of management and cost accounting systems. The reason for this rise is that worldwide businesses require these technologies to improve their market positions. The relevance of information created by management and cost accounting plays a critical role in increasing profitability by reducing waste and maximizing resource usage. (Kamilah and Shafie, 2015).

Changes in the global corporate climate have prompted a shift toward sustainability, with a focus on cost efficiency. With fierce global competition, rapid advancements in product and process technology, and wide fluctuations in currency exchange rates and raw material prices, a company's management accounting system must provide timely and accurate data to aid efforts to control costs, measure and improve productivity, and devise improved production processes. (Johnson & Kaplan, 1987, p4).

The aim of this paper is to analyze the methods used in calculating cost of manufactured goods and discuss issues related to decreasing the cost of production in joint stock companies.

In the following chapters the classification of production costs and cost management systems are presented. Then management of strategy and strategic cost management will be discussed, before coming to the vivid conclusion.

Classifications of production costs according to literature

The term "cost of production" refers to the financial resources expended in the transformation of raw materials into finished goods. (Mulyadi, 2007). The cost of production, according to Hanggana (2006), includes all costs associated with producing one unit of completed goods, including raw material costs, direct labor costs, and factory overhead costs. The cost of production, according to Mulyadi (2007), is the sum of the expenses imposed on products by companies or users of various economic resources needed to make products or acquire assets. However, because the manufacturing of these items intends to convert assets (in the form of raw material inventory) into other assets (finished product inventory), the cost of production will be formed by the sacrifice of such raw materials (in the form of raw material expenses). So, the cost of producing a large number of goods over a period of time is referred to as production cost. There are three main direct costs of production: Raw materials, direct labor, and manufacturing overheads. Raw materials are resources that are an essential component of the finished product and can be traced back to it physically and easily. Direct labor is a cost that can easily be linked to the final product. Because direct labor performs hand work on products during production, it is commonly referred to as manual labor (touch labor). Manufacturing overheads consist of all manufacturing costs not covered by direct materials and direct. (Garrison, Noreen, Brewer and McGowan, 2010). According to Mulyadi (2007), determining the cost of production must be carefully studied by the organization in order to fulfill corporate objectives.

Cost management systems

According to management's goals and objectives, costs are categorized in management accounting. The managers of many business kinds frequently voice their worry during personal interactions that there is never enough information available to the management concerning costs across the board. Because of this, businesses use management accounting, which enables them to gather information about costs from the numerous data sources within the organization and further analyze those expenses using a variety of layouts and structures.

Absorption-costing, direct-costing, standard-bone, and other approaches to their management have all been expanded upon and refined in both cost management theory and practice around the world (Efremova 2006). Table 2 presents classifications of contemporary cost management systems.

Table 2. Modern cost management systems

Methods of management accounting related to costs		
In relation to business processes	By the degree of absorption of fixed costs	By the level of cost control
• Cost Centre Responsibility • Processor method • The Peripheral Method • Custom method	• Absorption-costing • Direct-costing • Calculation of the reduced (production) cost price	• Calculation of the actual cost price • Calculation of regulatory costs • Standard-costing
Integrated cost management systems		
Market-oriented systems	Cost methods	Management Methods for

		Life Cycle Stages
• Just in time • Target-costing • Kaizen Costing • Benchmarking • Total Quality Management	• Strategic Cost Management • Functional and Cost Analysis	• Life Cycle Costing • Activity Based Costing

Source: Authors' own elaboration based on Efremova 2006.

The stated techniques include several facets of cost management, however they differ in terms of their content. A cost management system is fundamentally created to serve as the primary cost management tool, gathering data to control production costs in addition to gathering information about expenses to estimate their value. However, using a single cost accounting and management approach is insufficient for the efficient operation of an enterprise. Creating a cost accounting and management system that combines the qualities of the aforementioned approaches is required for effective development in a highly competitive market environment.

Management of strategy and strategic cost management

Successful strategic management is crucial to the success of any business or organization. New technology, increased global rivalry, and modifications to corporate processes have made management more dynamic and crucial than ever. Managers should always be competitive, and the competitive strategy of the organization is crucial for this. With a strategic mindset, a manager can foresee changes and tailor products and their manufacturing process around anticipated changes in client demand.

The majority of firms in industrialized nations use cost management data. However, the nature of the company's competitive strategy will determine how much they rely on this information. Many businesses compete by offering their products and services for the lowest possible cost. Some businesses compete by being industry leaders in production and providing items that are outstanding and unique. The function of cost management is to assist business strategy by supplying the data necessary for successful product development and marketing. We advise manufacturing organizations to employ strategic cost management tools in order to achieve corporate sustainability. Managers today employ strategic cost management tools to carry out plans and achieve key success elements.

Value chain analysis, strategic situation analysis, and study of structural and administrative costs drivers are all parts of the strategic cost management implementation process.

Cost management is important in a competitive environment because it can save expenses and boost customer satisfaction. In order to determine the cost price and produce products that are priced reasonably in accordance with the customer's purchasing power, it is more important than ever to note the proper role of choosing the quality and quantity of production factors, deciding whether to use user processes or capital in the production process, and selecting the appropriate technology. Only by building a contemporary management accounting system, including the design and usage of various management accounting instruments within the company, is it feasible to provide the necessary information for cost management. These tools include product life cycle costing, goal costing, Kaizen costing, and activity-based costing. By accurately evaluating and identifying costs involved in the production of income, profitability, and value for businesses, strategic cost management is effective.

Conclusion

Three factors—price, quality, and time—play crucial roles in a company's ability to compete successfully in today's competitive market. To do this, businesses must also modify their operations to account for environmental and technological advancements. The best technique to enhance the sustainable management models in manufacturing organizations is through strategic cost management. Strategic cost management attempts to produce value for shareholders by accurately determining costs, properly allocating them to products, and eliminating waste. It has addressed many of the issues and shortcomings of traditional accounting systems. A precise system of measuring the cost of the product is also required due to the increasing competition among businesses to offer high quality products at fair pricing. Companies can cut excessive costs by correctly assessing their competitive environment and utilizing cost management tools. Additionally, strategic cost management assists managers in making both short-term and long-term decisions in order to accomplish their strategic objectives by giving them more accurate data.

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