COST ANALYSIS ON THE BASIS OF FINANCIAL AND INTRA-ORGANIZATIONAL ACCOUNTING AND THEIR REDUCTION

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Abstract: A company manages properly when business activity is guided by the principle of achieving the maximum benefit with the minimum consumption of the production factors. The application of this principle results in the need for continuous monitoring and cost reduction for the company. Under modern business finance theory, the issue of reducing the cost of a company is linked not only to profits as the most sophisticated absolute value category but also to the value of a company that is currently being promoted as a decisive criterion for evaluating the effects of all business activities.

Keywords: costs, financial accounting, intra-organizational accounting, analysis of total costs, cost reduction.

1 Introduction

Costs are a category of financial accounting. The significantly higher need for information on the costs used at different levels of the company hierarchy, on both the management of the company process and the decision on its future variants, is the most important feature of an intra-organizational accounting. It is characterized by a large variety of outputs.

In view of this, the cost analysis of a company is a problem that needs to be differentiated depending on the way the cost is presented, the objectives of the analysis, the users whose results will be determined, as well as the required level of information detail. For the purposes of analysis, it is necessary to distinguish mainly the costs of financial accounting and the costs of the intra-organizational or managerial accounting.

2 Cost analysis based on financial accounting

The Act on accounting defines the category of costs in financial accounting. Cost is a reduction in the economic benefits of an accounting unit in the accounting period that can be reliably measured. Economic benefits are the possibility to contribute directly or indirectly to the flow of cash and cash equivalents.

By this definition, accounting legislation seeks to bridge the gap between pairs of cost categories - cost - expenditure and revenue - income that are typical of current accounting. A specific solution to their time and material inconsistency is the cost and revenue differentiation technique by which costs and revenues are attributed to the accounting periods in which they were incurred, regardless of the movement of funds.

Costs are a flow variable and in value they express the decrease in the company's assets, alternatively the emergence of liabilities as an increase in foreign resources. Such an impression is a common feature of all financial accounting costs. Costs such as the disposal of assets (- assets) consist of:

- the costs of a company in which is the purposeful link between the reduction of assets and the realized output (e.g. consumption of material, energy, ...)
- the costs associated with the loss of assets value by not complying with the established standards and regulations, the effects of extraordinary effects (shortages, damages, fines, penalties),
- the costs to be paid from trading income (representation costs, remuneration to members of the statutory bodies),
- the costs of implementing the economic policy of the State (taxes, fees).

The state's view of the financial costs is reflected in their classification in relation to the provisions of the Income Tax Act as follows:

- the cost of which was not necessary to achieve the trading income or the cost thereof
  entrepreneurs incurred by non-compliance,
- costs that were necessary to achieve, secure and maintain revenue - tax expenditure.

In financial accounting, the company's costs are classified according to three key aspects that take account of the accounting framework for entrepreneurs:

- species aspect,
- a purpose aspect,
- Cost classification aspect depending on the structure of the trading income.

2.1 Species aspect

Cost species criterion is the main criterion that is applied in financial accounting, as well as the basic method of classifying costs for obtaining an overview of their structure. It is a classification of costs into separate groups according to economically homogeneous species, each group containing one cost item:

- Consumer purchases,
- Services,
- Personal costs,
- Taxes and fees,
- Other costs of business activity,
- Write-offs and adjustments for long-term assets,
- Financial costs,
- Income taxes and transfer accounts.

The item classification records costs, mostly of an external nature, in the form and amount at which they originated in the company, regardless of where (in which department) and for what purpose (product) were spent. Primary means that the subject is displayed as soon as they enter the company; external ones are created by the consumption of products, works or services of other entities. In addition to these characteristics, the costs are simple, which means that their decomposition is not possible.

In terms of financial - economic analysis, it is important that the cost species classification provides the information needed to ensure the proportions, stability and the balance between the need for resources in the company and the outside environment that provides them. It answers questions as to who, when, and how a company must secure material, energy, other external outputs, services, and other economic resources for its activity. However, the use of an individual cost species classification is insufficient for lower-cost business management, particularly in assessing the economy, efficiency and effectiveness of business activities. It does not express the cause of the costs incurred, their eternal bearer.

2.2 Purposeful aspect

The purposeful classification of costs is applied to the financial accounting to a lesser extent. It respects the purpose for which consumption has taken place, e.g. representation costs. Compared to the purposeful attribute on which the cost accounting in the managerial accounting is based, the purposeful classification of costs in financial accounting is only indicative.

"From the point of view of cost-effectiveness management, the costs of managerial accounting are further classified according to their basic relationship to activity, technological stage or operation into two basic groups. The first group includes costs directly attributable to the technology or operation of the activity. This also means their naming, called technological costs. This includes, for example, consumption of paper of a certain quality in the main printing industry for a particular title. The second group includes the costs incurred to create, secure and maintain the conditions for the rational course of the activity. They are called the cost of operation and management, and include, for example, the cost of lighting the printer and the salary of the minister" (Král, 2012, p. 72).

2.3 Cost classification aspect depending on the structure of the trading income

The classification of costs, depending on the structure of the trading income, makes it possible to specifically monitor and analyze the costs associated with the individual business activities that generate the trading income. This classification distinguishes:

- costs of business activity,
- financial costs.

The intent of such a classification of costs and revenues is to separate the realization of the activities forming the subject of business and activities carried out to support business activity from financial operations. In addition to the above-mentioned contexts, it is necessary to bear in mind, in the case of financial accounting costs, the fact that financial accounting is characterized by considerable freedom between the cost and the object of the business activity. The task is not only to show the economic resources of a company, but also their reproduction and return.

From the point of view of the company's activities, such a reproduction of resources is effective, in which the company's own capital is preserved and a surplus representing the return on equity is generated (profit). Resource reproduction analysis is based on revenue analysis depending on the type of business or particular business transaction. However, the ability to monitor the particular trading income for some type of business transaction is in financial accounting limited, for example sale of long-term assets, material, securities.

On the other hand, it is also possible in financial accounting to distinguish costs identifiable by performance and costs not identifiable by performance. Costs that are identifiable with performance are the costs involved in the performance and are called the cost of performance. Costs that are not identifiable with performance are spent on the general provision of the company's business activity and are generally incurred in regular periods. They are called the cost of the period.

3 Cost analysis based on intra-organizational accounting

Intra-organizational accounting understands costs as an efficient and purposeful use of company resources. Purposefulness means spending the costs in bond with the realized performance of the object of activity. Efficiency is understood as a reasonable use of resources, which is to a certain extent quantifiable by cost indicator. Cost accounting in intra-organizational accounting is based on the functions that this accounting subsystem performs in the company information system. Its main task is:

- to record costs, revenues and to determine the trading income of a company and its intra- organizational units,
- provide background material for the use of material responsibility and involvement of intra-organizational units,
- provide the data needed to decide on the distribution of a trading income, to find out how in its creation were the intra-organizational units involved,
- provide documentation for the compilation and control of budgets and calculations, for economy analysis, and so on.

In view of the above, several options are offered for the analytical work of managers on the ground of cost analysis. In principle, the focus of the cost accounting analysis of the intra-organizational accounting system addresses two issues: the analysis of costs of economic centers and the analysis of product costs.

3.1 Cost analysis of economic centers

The focus of cost analysis of economic centers is to analyze and assess changes in the center's overhead costs. Simple difference methods are used to control and analyze costs - comparing the pre-determined costs taken from the center's preliminary calculations and budgets with the reality of the intra-organizational accounting. An important part is the analysis of capacity and consumption deviation.

Capacitive deviation is a result of changes in capacity utilization of a center, a technological workplace, or a workstation. It is found by comparing the planned costs (budget) with the recalculated budget for the actual use of the center capacity. Responsibility for the occurrence of this deviation lies with those workers who influence capacity utilization. The variation in consumption is due to changes in the standard consumption of labor, goods and services in actual capacity utilization. It is found as the difference between actual costs and a recalculated budget for actual capacity utilization. This deviation denotes the center's own cost-effectiveness and the responsibility for its establishment lies with the entire center's staff.

3.2 Product cost analysis

The cost analysis of a product focuses on the analysis of direct (unit) costs, that means to analyze items of the cost model. Analyze changes in the structure of the calculation, the amount of money (in monetary terms) in items, the proportion between the main items of the cost per unit of calculation and their share in total product costs, etc.

Changes in the structure of the calculation cause a disproportionate increase in its items. The share of individual items in the total cost is changed. Changes in the structure of the calculation explain the technical and technological changes in production, the substitution of used inputs, changes in input prices, and so on. Using the differential method and using standards (norms), the deviations between the provisional (plan) and the resulting calculation are detected at direct costs. Two relationships apply. The planned consumption standard (pre-calculation) plus the change in the standard equals to the operative standard (operative calculation) and the operative consumption standard plus the deviation equals to the actual unit cost of output (resulting calculation).

The change in the standard reflects changes in unit cost by factors such as prices of material, energy, material and energy substitution, wage rates, and a different depreciation policy.

Norms and changes to the standard denote the activities of the departments: technical preparation of production, the production center, the supply center, illustrate how the technical, technological and other production conditions change. Deviations from the operational standard denote the economy of production itself; positive deviations mean non-compliance, non-compliance with technical and technological discipline, negative deviations mean savings and better compliance with standards. However, longer-term deviations may also lead to deficiencies in standardization. A detailed analysis of the direct and overhead costs of a company is the subject of short-term intra-organizational analyzes to ensure operational control and cost management.

Special attention is paid to cost and deviations of actual costs from the plan by cost controlling. It focuses primarily on the management of factors affecting the profits of the company and, of course, on costs and revenues.

4 Analysis of total costs

The analysis of the company's total costs over the reference period is based on the information on the profit and loss statement. The structure of the statement corresponds to the structure in which it is necessary to quantify the trading income, j. particularly for economic and financial activity. In line with this requirement, the company's costs are also vertically arranged in the statement. The cost of economic activity consists of the balance of accounts of the accounting groups 50 - 55 and the financial costs comprise the balances of the accounts of the accounting group 56. The basis of the analysis is the horizontal and vertical analysis of the profit and loss statement.

In the vertical analysis, the percentages of each item of cost are determined for the selected cost group (e.g., what proportion of consumed purchases consists of material consumption, what is the interest rate on the company's financial costs, etc.). Horizontal analysis of the statement is a trend analysis (the statement includes data for the current and past accounting periods). Detailed analysis is based on the gradual decomposition of aggregated cost items into partial (simple) costs. It allows seeing to what extent these costs have affected the status and change in the status of the more complex indicator considered.

The level of cost-effectiveness of a company in the context of costs incurred and their revenue compensation is a cost-benefit indicator. It is calculated as the proportion of total costs in monetary terms and total revenues in monetary terms. The cost factor expresses how much cost, in € comes to €1 of revenue. The better the result, the lower the value of indicator, or the more dynamically it is decreasing.

It is important to note that without the consumption, it is impossible to produce outputs as well as sell them. However, there are always ways to reduce costs. An important tool in fulfilling this task is therefore economic analysis of costs. Its scope, content and details depend primarily on the user's output requirements, but also on a large part of the data that forms the information base for the analysis.

5 Sources and means of cost reducing

"One of the conditions for the rationalization of the production process and the entire economic activity of a company is to achieve the smallest unit cost of production at the same or higher level of quality performance. That is why we need to look for the cost-cutting options. They best stand out when we track the costs according to the purpose of their spending and their place of origin. In order to determine the cost reduction potential, it is necessary to know the sources of reserves and the means of reducing them" (Kupkovič, 1999, p. 24).

Sources of cost reduction are found in various unused reserves and hidden sources of the company. Utilizing reserves and uncovering resources reduces the cost of the entire business. Cost savings include:

- use of current assets and acceleration of their turnover,
- use of production capacity,
- determining the optimal assortment,
- improving the quality of raw materials, material and products.

The specific measures that make use of the reserves are called cost reduction resources. They become necessary because the uncovering of reserves is not yet a guarantee that the reserves will actually be used. Cost reduction resources show how to use partial and total reserves and to achieve true cost savings. They represent agents whose use usually affects one or more cost reduction resources. The basic means of reducing costs include:

- introduction of modern technology,
- improving the organization of work and production (activities) management,
- raising the professional level of workers.

6 Conclusion

Costs are one of the most important economic performance indicators. They are such an important category of business activity that it is still payed maximum attention to them not only in practice, but also in the field of economic theory and its special disciplines, despite the penetration of new criteria into the business management concept, the evaluation of its performance and the formulation of an integral goal.

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