

MAKING MANAGEMENT DECISIONS BASED ON ACCOUNTING DATA IN ENTERPRISES

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Abstract: This thesis provides a scientific analysis of the economic nature of variable, fixed, and semi-variable costs in enterprises, as well as their dependence on production volume. Modern methods of cost management based on accounting data — particularly the control of variable costs — are examined. The study substantiates that the variable cost per unit of output serves as a key indicator in managerial decision-making. Furthermore, problems such as excess raw material consumption, inefficient use of energy resources, and a high share of defective products are identified, and the role of the standard costing system in addressing these issues is elaborated. Through this system, the possibilities of identifying variances between standard and actual costs, optimizing expenses, and improving enterprise efficiency are justified.

Keywords: variable costs, fixed costs, semi-variable costs, accounting, management accounting, standard costing, standard costs, cost price, cost optimization, financial analysis, management decisions, efficiency.

In a market economy, the effective operation of enterprises largely depends on well-grounded and justified management decisions. Accounting data serves as an important source of information for making such decisions. Accounting reflects the financial position of an enterprise and provides management with accurate and reliable information. Accounting is a systematic body of information that reflects the financial activities of business entities. Its primary function is to provide users with the necessary financial information. Management accounting is a component of the system that supplies business entities with essential information.

Management accounting integrates a system of cost and revenue accounting, standardization, planning, control, and analysis aimed at resolving problems related to achieving planned goals and ensuring the future development of business entities, as well as at making operational management decisions. The main functions of management accounting are as follows:

- Providing necessary and useful information for the operational management of production and entity activities;
- Forming an information system and providing management with data for rapid and accurate decision-making regarding the future of business entities and the development of production;
- Calculating the cost of manufactured products (works, services) and identifying and reporting deviations from established norms, plans, criteria, and estimates;
- Planning the financial and economic activities, financial investments, and implementation of new technologies of the business entity, and monitoring plan execution, etc.

When making management decisions based on accounting data, the main directions include: reducing costs, setting pricing policy, making investment decisions, managing financial risks, and "minimizing costs while maximizing profit."

As is known, costs arising in business entities are studied by classifying them into variable costs, fixed costs, and semi-variable costs.

Variable costs — These are costs that change directly in proportion to changes in production volume (or the quantity of services rendered). That is, the more products are manufactured, the higher the costs; the fewer products, the lower. Variable costs include raw materials and supplies for

production, production-related wages, fuel and energy costs, packaging, transportation costs, commission fees, and others.

Fixed costs — These are costs that remain unchanged over a certain period regardless of the production volume. They stay the same whether more or fewer products are manufactured. Examples include rent for buildings, administrative staff salaries, depreciation expenses, insurance payments, loan repayments, and the fixed portion of utility expenses.

Semi-variable costs — These costs are partly fixed and partly vary depending on the production volume.

$$\text{Semi-variable costs} = \text{Fixed component} + \text{Variable component}$$

In enterprises, in order to control variable costs for a given product and to make management decisions based on accounting data, the variable cost per unit of output is determined as follows:

$$VCu = \text{Total Variable Costs} / \text{Volume of Output Produced}$$

(where VCu — variable cost per unit of output)

This indicator is the central indicator for making management decisions.

According to the analysis, excess raw material consumption above the norm, uncontrolled energy expenditure, and a high proportion of defective products in production were identified. As a result, standard costing is applied. Standard costing is a method of calculating and establishing the necessary costs until a unit of product is completed. The main advantage of using the standard cost system is the timely and analytically convenient recording of economic reports. When using this system, there may be additional costs in establishing individual norms, but these carry little value.

$$\Delta VC = VC_{\text{actual}} - VC_{\text{standard}}$$

(where ΔVC — variance; VC_{actual} — actual variable cost; VC_{standard} — standard variable cost)

If there is a difference between the actual and standard indicators, it is considered a variance. A specialist is responsible for identifying the source of this variance.

In the standard costing system, pre-determined costs are composed of the following elements, which are used to determine the actual price of a unit of product:

- Raw material standard;
- Working time standard;
- Energy consumption standard.

In conclusion, managing variable costs based on accounting data is an important factor in improving enterprise efficiency. Through the standard costing system, it becomes possible to identify variances between standard and actual costs, reduce excessive expenditures, and use resources rationally. As a result, the cost price decreases, profit increases, and competitiveness strengthens in the enterprise. For this reason, we believe that the systematic and scientifically grounded use of accounting information in managerial decision-making in modern enterprises is of strategic importance.

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