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**THE COST MANAGEMENT APPROACHES IN TRADE  
INDUSTRY**

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**Introduction.** The current state of financial and economic government institutions negatively affects Ukrainian budget execution, and the general trend of deterioration in the standard of living of the people, in general leads to low level of functioning of the enterprise and their competitiveness, especially in such industry as trade.

**Aims and tasks.** In the conditions of an unstable political and economic situation in commodity market and services to overcome disproportions between operating profit of some commodity groups of trade enterprise and its added value which indicates depreciation of the capital invested by owners not only doesn't provide compensation of investments, but also leads to losses because of inflationary processes therefore there is a need for the mutual integration of approaches of management of expenses for assessment.

**Results.** The practical value of application of a method of Activity-based costing (ABC) and Economic Value Added (EVA) in management of expenses not only in creation of a system of accounting of expenses, but also and predictions through new approaches for the analysis for identification of unproductive fields of activity in value creation of a product is proved, including positively influences the growth of business activity for trade enterprises.

In the field of innovative approaches the balanced system of indexes (BSI) and EVA methods harmoniously are integrated in processes of costs planning, management of them at the level of departments and in general are distributed among operation processes to responsible persons, which has a positive impact on maximizing capital cost of the enterprise.

**Conclusions.** Application of methods of cost management as uniform system provides chance to distribute expenses on commodity groups and to define goods which create added value gives the chance to settle the impact of minimum change of influence of a factor on commodity turnover level due to decrease of unit cost in life cycle of a product through the analysis of a point of profitability for increase in investment attractiveness.

**Keywords:** expenses, costs, cost management, ABC costing, methods of management of expenses, added value, factors.

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## ПІДХОДИ ДО УПРАВЛІННЯ ВИТРАТАМИ ТОРГІВЕЛЬНОЇ ГАЛУЗІ

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**Вступ.** Сучасний стан фінансових та економічних інститутів держави, який негативно позначається на виконання бюджету України, і загальна тенденція погіршення рівня життя населення, в сукупності впливає на низький рівень функціонування підприємства, їх конкурентоспроможності, особливо галузі торгівлі.

**Мета та завдання.** В умовах нестабільної політичної та економічної ситуації на ринку товарів та послуг нівелювати диспропорції між операційним прибутком деяких товарних груп підприємства торгівлі та її доданої вартості, яка вказує на знецінення капіталу, інвестованого власниками, що не тільки не дає компенсацію інвестицій, але також і призводить до втрат за інфляційних процесів, тому виникає потреба у взаємній інтеграції підходів управління витратами для здійснення оцінки.

**Результати.** Доведене практичне значення застосування методу ABC (Activity-based costing) та EVA (Economic Value Added) в управлінні витратами не тільки у створенні системи обліку витрат, але також і прогнозування через нові підходи для аналізу та ідентифікації непродуктивних сфер діяльності у створенні вартості продукту, який у тому числі позитивно впливає на зростання ділової активності для підприємств торгівлі.

В області інноваційних підходів методи BSI (Balanced system of indexes) і EVA гармонійно вміщено в процеси планування витрат, управління ними на рівні відділів, і підприємством в цілому зосереджені з віднесенням на відповідальних осіб, що позитивно відображається на максимізації капітальної вартості підприємства.

**Висновки.** Застосування методів управління витратами як єдиної системи дає шанс розподілити витрати за товарними групами і визначити товари, які створюють додану вартість, що надає можливість врегулювати вплив мінімальної зміни впливу фактору на рівень товарообігу за допомогою зменшення собівартості одиниці продукції у життєвому циклі продукту через аналіз точки беззбитковості для збільшення інвестиційної привабливості.

**Ключові слова:** витрати, затрати, управління витратами, метод ABC, методи управління витратами, додана вартість, фактори.

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**Introduction.** The current state of the financial and economic government relationships is unstable for Ukrainian budget execution, and to living standards decrease, which certainly negatively affects competitiveness of the enterprises, especially retail trade. During 2014-2019 the number of the unprofitable enterprises constantly grows in retail trade, so according to statistical researches the number of the unprofitable enterprises of the Ukrainian trade industry in 2018 made 22.8% of total and the damage reached 29440,5 millions of hryvnias that increase the significance and urgency of cost management [1].

ABC model (Activity-Based Costing) allows not just to estimate consumer cost at the enterprise of retail trade when selling goods or services, but has an aim to reveal unproductive types of activities and to exclude from cost of production that will result in the total cost of the enterprise maximization in direct positive rise of investment attractiveness by creation of optimal price of good for consumer, that for the enterprises of retail trade is the main prerequisite of stabilization of economic security of business.

Practice of application of ABC in management of expenses is not only creation of a system of accounting of expenses, but also predictions through new methods of the analysis and types of activity for identification unproductive at value creation of a product, also which positively affects the growth of business value for the enterprises of retail trade.

**Analysis of recent researches and publications.** In the modern world of rapid development of technologies optimization of expenses is a complex problem which is intimately interdependent to an issue of increase in effectiveness of financial and economic resources use for the enterprise through improvement and modernization of functions: managements, accounting and the analysis of capitalization and definition of the strategic line of development in unstable business environment. Prediction and insurance from future risks demands reserves of resources formulation through creation of necessary funds, which make bankruptcy impossible for the enterprise and independent from influence of financial and economic crises.

Due to the above the accounting role increases, its commercial value is significant in management of expenses of the enterprises of retail trade and influence on strategic approach of expenses management for saving future profits, but not just today momentary benefit. Radionova N. determines the primal issue of management accounting in unstable operating conditions of the enterprise as monitoring of processes at which the enterprise fulfils its goals [2]. As various strategic decisions have unequal influence on the volume of goods or services sale, it is necessary to conduct critically precise calculations of financial performance for future expenses and profits with decrease or increase of volumes of product sales.

Melnik Yu. defines the balanced system of indexes as the system of strategic management of the organization on the basis of measurement and assessment of effectiveness of its activities for a set of the indicators which are picked up so that to consider all essential (in terms of strategy) aspects of activity of the organization (financial, marketing, production etc.) [3].

Thus, they can be integrated into management of expenses of the enterprise and to connect in the uniform tool having minimized thereby negative aspects of activity and having provided synergetic result from their collateral realization.

Govorushko T. characterizes the economic added value as the universal indicator which can be used for the financial analysis, management and estimation of cost of the company therefore it can be used as the profitability indicator to which doesn't have limitations of other indicators that purpose. [4]

Considering the EVA model (Economic Value Added) as complex business assessment tool through its applications in management of certain types of activity and at a combination with ABC technique, it is possible to analyse changes in the cost of business and to estimate success level in achievement of goals on completion of the business project.

Skripnik N. focuses his attention on the application of an ABC method which allows the manager to specify the cost of a particular product, especially in cases when indirect expenses exceed direct expenses [5].

Scientists, such as Skripnik M. [5], Markus A. [6], Ivakhiv Yu. [7] describe limitations of ABC method use, including under specific circumstances for realization.

The model by Rachida Justo using a model-based approach suggests the measurement of entrepreneurial activity and allows to use key indicator for the measurement of the likelihood of entrepreneurial behavior, or entrepreneurial propensity [8].

The research conducted by Hughes S. B. indicates that those cost systems better serve user needs than traditional cost systems and suggest that the best system may integrate ABC and variable-cost system attributes [9].

Proceeding from conditions which characterize expenses, as unstable and specific to management, the enterprises of retail trade need for combination of elements of three models Activity-based costing (ABC), Economic Value Added (EVA) and Balanced Scorecard and creation of the new concept of management.

On the basis of the above-stated models it is possible to create a uniform integrated system of expenses management of the enterprises by means of use of tools of complex concept.

**Previously unsettled problem constituent.** Problem in calculations with the implementation of EVA model is the impossibility to distribute overhead costs between some goods or services, which affects accuracy of calculation of cost of sales or services, but this task can easily and effectively solved by ABC technology approach. At the same time, the EVA model cannot be applied during crisis periods for enterprises on the verge of bankruptcy, as the objectivity of assessment is lost.

In the conditions of an unstable political and economic situation in commodity market and services often there are disproportions between operating profit of some commodity groups of the enterprise of retail trade and its added value, which indicates depreciation of the capital invested by owners that not only doesn't compensate investments, but also leads to losses – for inflationary processes in a time like dimension therefore there is a need for the mutual integration of ABC-approach and the concept of EVA.

Such integration creates necessary conditions for objective redistribution of operating costs by ABC-method to analytical assessment of the economic added value created by the enterprise as in general, and on separately allocated commodity groups, which allows to manage investment shareholder value by optimization of costs structure.

Despite positive synergetic effect from integration of the ABC and EVA systems on perfecting of a cost management system at the enterprises of retail trade, there are unresolved questions about a possibility of regulation of the created cost.

**Main purpose of the article.** This article main problem taken into consideration is ensuring competitiveness of the enterprises of retail trade through upgrading of management of expenses by various methods of management by optimization of unprofitable expenses.

Trade enterprises have the specific features of activity that provide the analysis characteristic which differentiate among other industries. The common basis of operating activities of the wholesale and retail enterprises is purchase of goods from other enterprises and resale with monetization of these commodities. Competent inventory management, their structure and dynamics is crucial as they are the main asset of the enterprise. Therefore further analysis should be concentrated on turnover of stocks, duration of one turn in days, and the level of commodity turnover and value of stocks in structure of assets of the enterprise. The retail enterprises will include low level of Accounts receivable as goods are mainly sold for cash while in wholesale the commodity credit will provide the basis of their activity. The analysis of seasonal recession or increase of turnover gives the chance to form conclusions for decision-making which can result in discounts, that encourages buyers during the periods of stagnation of the market.

**Results and discussions.** The trade industry of Ukraine occupies the greatest share in formation of GDP of the country, in 2017 its share made 25.0% that signifies the rise comparison with previous year under observe, at the same time, this indicator in 2010 was 25.8%. The structure of gross added value by types of economic activity is provided on fig. 1.

Economic security of the enterprises in direct ratio depends on high-quality cost management and prompt diagnostics of potential threats which lead to increase in losses, and therefore on the basis of factor analysis we study potential opportunities by the systematization of main groups of factors that influence the change of costs both at macro - and at the micro-level.

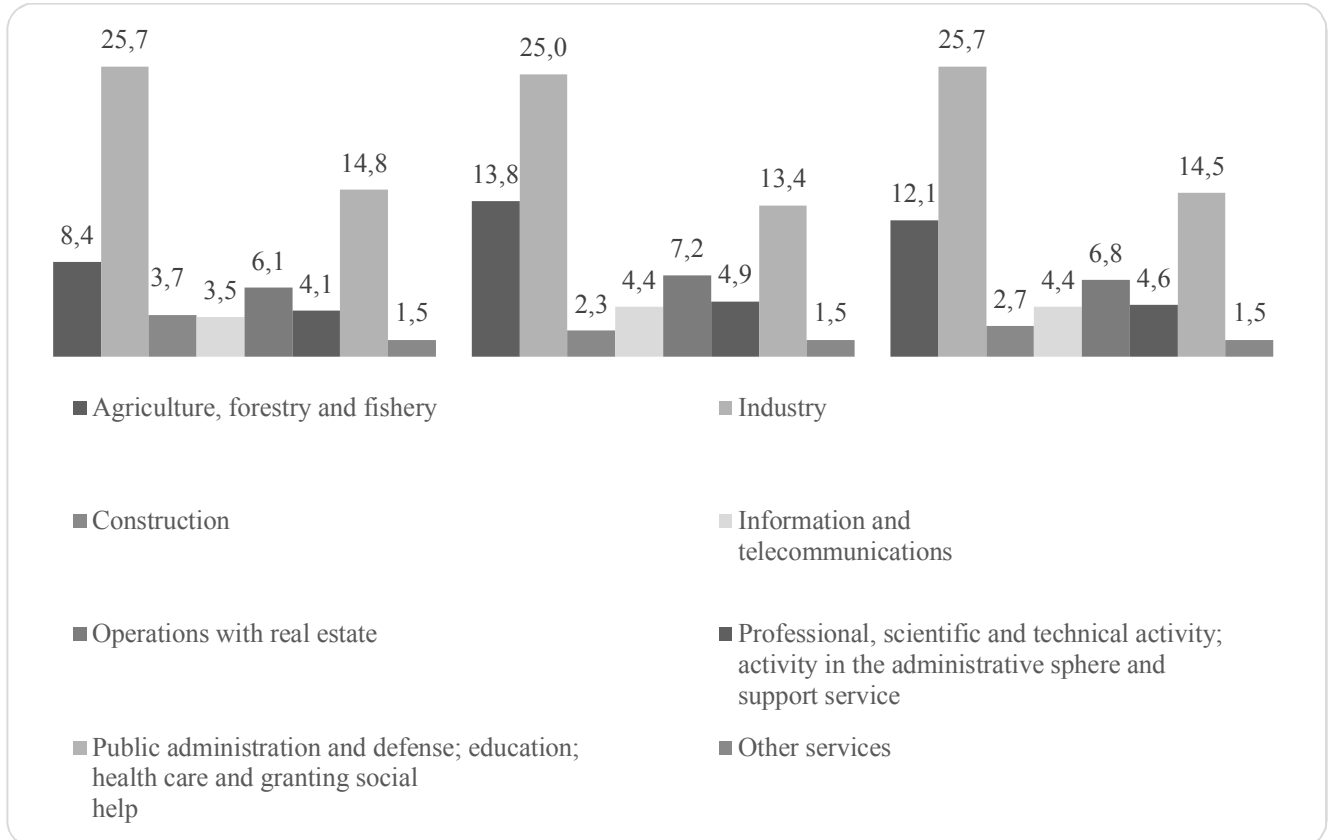
At the macro-level the external conditions in which the enterprise functions are created and rules of existence and the framework for activities at the legislative level are established. It is necessary to note what macroenvironment is an influencing element on activity restriction conditions, and development factors as well that create conditions for transformation.

The nature of influence of external factors can be various: from political, economical and legal to social and ecological that complicates the enterprise functioning at the technological level. The choice of the direction to European integration demonstrates the impact of a political component on goods structure, the level of production and competitiveness which

needs to be reached and supported by additional expenses, which affects the final sales price and the market conditions don't always allow to sell goods of the better quality at higher price both on the Ukrainian local market and abroad.

The legal component regulates legal responsibility and the duty the subject and object in business relationship, including regulatory framework, which has except the rights many restrictions which have the direct influence on expenses formulation, their structure and size, level of risks impact of various character and other elements of external influence.

The economic component is assessed with respect to some by features of the state market mechanism, which are characterized by the following parameters of economic level: budget of the country, gold and currency reserves of the NBU (National Bank of Ukraine), income of the population, unemployment rate, and system of taxation, inflation, credit rates etc.



**Fig. 1. Structure of gross added value by types of economic activity**  
 Source: Originally drafted on the basis of State Statistics Service of Ukraine [1].

The impact of above-mentioned criteria on expenses of the enterprise depends on ability to operate risks of various character which create threats for business's operations.

The significant role on change of indexes that represent results of enterprise's activity, sales and respectively the sizes of expenses the following factors play role:

- quantity and structure of the population;
- level of development of education;
- tradition, culture, lifestyle;
- esthetic preferences and tendencies, etc.

These characteristic features are common to businesses with direct ratio influence of commodity turnover, sales volume, expenses of trade enterprises.

The innovative and technological component depends on factors of scientific and technological progress in production, potential for new industries emergence and new methods of goods distribution. Many elements of new methods of innovative and technological business organization are developed in scientific and technological departments of the organizations of various forms of ownership, which allows to carry out continuous monitoring of "technological breaks", fixing the expenses at the necessary level.

For an object under research mezo-environment occupies a major role that is interpreted as the location of the enterprise and influence on it of consumers, competitors and suppliers, other factors on which its competitiveness and financial stability depends.

In the conditions of unpredictable changes in our society many risks are defined by events unrelated to his internal state therefore it is necessary to formulate a reserve supply, which provides an opportunity to offset unforeseen losses in budgets. Otherwise, such enterprises can follow crisis state and go bankrupt. For managing the factors influence of external and internal environment on volumes of expenses of the enterprise, it is necessary to perform their continuous diagnostics that will allow to adjust effective management of expenses and respectively will increase competitiveness level. It is essential except a research of factors of influence with determination of the importance and priority, to form optimum model of expenses, which provides an opportunity to

adjust management decisions for necessary aims achievement within sustainable development of the enterprise and the maximum use of its capacities.

Internal factors of influence on the enterprise functioning create micro level elements which have an immediate impact on expenses. Therefore, it is necessary to pay in more detail an attention to factors of micro level and to estimate extent of their influence on expenses of the enterprise.

The impact of internal factors of the enterprise environment has an indirect influence on the essential level of operating expenses, which can be diagnosed by means of the deterministic and stochastic research techniques. The deterministic methods has in their base functional relationship between productive factor indicators, in stochastic - correlation, regressive communications are the cornerstone.

The rise of expenses of operating activities in absolute and relative terms in relation with increase in volume of commodity turnover.

Decrease in expenses of operating activities also becomes possible due to sales volume and commodity turnover increase, acceleration of commodity stocks turn, the growth of number of personnel and level of capital productivity.

Using the above-stated factors an opportunity is provided to calculate reserves for optimization of expenses level related to operating activities.

Stochastic researches of interrelations between expenses of operating activities and factors of influence are conducted on the basis of the correlative and regression analysis which allows to compare and estimate a form, the direction and abundance choosing indicators for projection of multi-factor regression models of expenses. It is necessary to consider the following requirements for the above-stated analysis:

- indexes is quantitatively gaged;
- indexes are analyzed independently to view separate defining influence;
- indexes characterize various aspects of the studied phenomenon
- on the basis of statistical reporting selection of indexes is formed.

Voynarenko M. uses iterative procedure to determine the levels of hierarchy of factors which allowed to assess the importance/priority of their influence on security of the enterprise [10].

Based on the well-known researches I chose factors which influence both the sum, and the level of expenses of operating activities: ( $x_1$ ) the shopping area; ( $x_2$ ) cost of capital assets; ( $x_3$ ) number of staff of workers; ( $x_4$ ) expenses on salary; ( $x_5$ ) labor productivity; ( $x_6$ ) turnover of goods; ( $x_7$ ) depreciation of capital assets; ( $x_8$ ) a share of administrative personnel; ( $x_9$ ) commodity turnover on 1 m; ( $x_{10}$ ) percentage of fixed expenses.[11]

Use of an integrated system of ABC + EVA is similar to the traditional ABC method and it is possible to present through the following stages:

–The comprehensive analysis of financial and economic activity of the enterprise on the basis of balance sheet and the report on financial results allowing to estimate both the capital cost, and operating expenses;

–Identification of the main types of activities and the use of analysis of operating expenses for each type;

–On each of the allocated types definition of the optimal cost driver, its size and reference to the corresponding type of activity of the enterprise according to calculated coefficient;

–Determination of production cost on each item under accounting and calculation of expenses of the capital for all types of goods in group.

For completion of the above-stated stages, it is necessary to determine the quantitative values of the chosen drivers of expenses for the purpose of application of the EVA method respectively by each good or service. As in the general commodity turnover is not only operational, but also investment resources which support it and give the chance to define zones of activity of the enterprise of retail trade, it means that when using ABC technology for calculation of expenses it needs to be considered not to underestimate the size of expenses. Therefore, integration of the ABC + EVA systems allows to identify those goods with which selling added value for the investor rises by redistribution of expenses on types of activity of the goods and commodity groups

summarized according to earlier calculated operating expenses on types of activity and comparing them to indexes of commodity turnover.

Integrated implication of the above-stated instruments provides the synergetic effect in management of expenses and creation of added value where ABC technology optimizes the distribution of overhead costs, and as a result of use of the EVA method such management of expenses is targeted that finally increases the cost of the capital of the enterprise by optimization of costs structure.

The most efficient use of the ABC + EVA system at enterprises with strategic and active investments into development and as the indicator of their effectiveness of realization is the index of CO (Capital to Operating Ratio) - the relation of the capital and expenses [12].

$$CO = \frac{\text{the capital in cost is expressed}}{\text{operating expenses of the enterprise}} \quad (1)$$

When exceeding the value of this index of coefficient 0.1, the use of ABC + EVA system is efficient.

Having integrated on enterprise the methodology of expenses accounting by types of activity it is possible to calculate key performance indicators using which it is possible to manage types of activities through monitoring of the main business processes, using a set of indicators for purpose and appointment the responsible person and the centers of responsibility [12].

Having selected and coordinated such indicators of activity of the enterprise, we can actually identify them as the major elements in functioning of the enterprise, and on the basis of the realized business process to reveal those types of activities, that demand modernization using synergetic effect of integration with other instruments of management of expenses of retail trade enterprises and their practical embodiment about an enterprise management system was developed and implemented by R. Kaplan and D. Norton's within Balanced System of Indexes (BSI) [13].

In scientific community, the above-stated system is identified with strategic system technologies of management accounting where the main task is indicated as information

gathering and its analysis with systematization for making of management decisions, and therefore BSI along with accounting function is a basic link in a control system of the enterprises.

In our opinion, application of the BSI in management of expenses fulfills wider strategic objectives and tasks, establishing critical indicators in development through budget preparation and assessment for determination of phasing of such types of activity, which provide an opportunity to carry out the tasks set for the enterprise.

Use of technology of the functional accounting of expenses for types of activity (ABC) allows to obtain data, which are valuable to application for BSI, so with ABC approach information on profit and profitability is accumulated not only on commodity groups, but also on specific goods, that allows to use integration of BSI and ABC for establishment of criteria and limitations on types of activity for improvement of financial results [16].

Application of BSI and ABC is the instrument for identification of compliance and criteria of effective expenses management of the retail trade enterprise, the purposes and tasks that are promptly applied through updating in time, scientific and technological measurements and thus the ABC value is maximized as the main source of information about the quantitative values of new indexes.

**Conclusions and further researches directions.** The main distinctive feature of an above-mentioned system from others is reference of cost of the capital of the enterprise on specific goods or services that will allow to determine legibly the size of expenses not only by each type of activity, but also on separate commodity group.

Application of the above-stated system gives the chance both to distribute expenses on commodity groups, and to identify goods which

create added value and to regulate influence of minimum wage on commodity turnover level through decrease of a share of unit cost in production in the break-even point for increase in investment attractiveness.

Analyzing results of research, it is possible to draw the following conclusion [14-15]:

1. Operation expenses has a direct and positive correlation to the size of the shopping area, the number of workers, the cost of capital assets, depreciation of capital assets, commodity turnover, quantity of fixed costs.

2. Feed-back is necessary for level of capitalization, the share of administrative personnel, expenses of remuneration on workers.

3. The discrepancy which arises between the sum of expenses, share of administrative and management expenses changes the size of expenses of operating activities because of salary levels decrease as the rate of salary of managers is much higher than all other workers and respectively decrease the level of the average salary.

4. High interrelation with the size of shopping area.

From the above mentioned it is necessary to draw a conclusion that the integrated model of economic added value and technology for expenses management of retail trade enterprises on the basis of the ABC system + EVA provides objective approach to assessment of effectiveness of the enterprise.

In the field of business innovations interactions of BSI and EVA are harmoniously fitted into processes of budgeting and scheduling of the process focused methods at the level of departments and the enterprise in general were widely adopted as the organizations with reference on responsible persons, positively influences cost of the capital maximization of the enterprise.



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