A COMPARATIVE ANALYSIS OF VARIOUS APPROACHES TO THE PROCESS OF CREATING PRODUCTION COSTS IN A MARKET ENVIRONMENT

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ABSTRACT
The article provides a comparative analysis of existing approaches to the formation and functioning of the cost mechanism of modern companies in a market environment, offers an interpretation of production costing, which is a set of actions to determine the composition and structure of costs, as well as to ensure effective management of the transformation of some of their types into others.

Keywords: Production costing. Cost mechanism. Composition and structure of costs. In-house approaches to costing. Production system.

RESUMEN
El artículo proporciona un análisis comparativo de los enfoques existentes para la formación y funcionamiento del mecanismo de costos de las empresas modernas en un entorno de mercado, ofrece una interpretación del costo de producción, que es un conjunto de acciones para determinar la composición y estructura de los costos, así como para asegurar una gestión eficaz de la transformación de algunos de sus tipos en otros.


INTRODUCTION

The central place in the activities of business entities belongs to the process of formation of production costs, which has a decisive impact on the ability of companies to maintain a stable position in the market, considering the instability of its market fluctuations. The aggregate supply, as the sum of the market offers of individual enterprises (production systems), in this regard, depends primarily on the level of production costs, and the change in supply over time is directly related to its dynamics.

The traditional view of the essence of production pricing at the enterprises does not seem to meet all the requirements of the modern economic environment. At the same time, the study of various directions in solving this problem allows them to rethink in a new way and formulate the foundations of a different approach to the process of forming production costs. In this case, special attention should be paid to the appropriateness of using the method of critical understanding of scientific knowledge when considering this issue.

In general, economics has developed several theoretical approaches to the essence of production costing. Each of them has certain advantages and disadvantages. The presence of this factor is explained by the features of the economic conditions within which the research was carried out, as well as by the changes in the economic environment that have occurred since the emergence of the main provisions of these theoretical views.

LITERATURE REVIEW

One of the most interesting approaches to the problems of production costing in the theory of the market economy, in our opinion, is the classical approach based on the priority of labor costs, expressed in some form, over other types of costs. Moreover, labor in this case is not investigated in terms of its vital need, but is presented as a kind of cost that the subjects of economic activity are forced to bear before they can receive a certain benefit. This economic category has a huge impact on the performance of production systems and is one of the key elements in the formation of production costs. This fact is confirmed by the research of a number of economists who considered labor costs as the basic component of the cost of products, and therefore as the basis for the formation of production costs (QUESNAY,1960, MARX, ENGELS,1985, SEKISOV,2000, TURGOT,1961, POPOV, SEKISOV, SHIPOLOVA,1955, HAYEK,1977, SHMALEN,1996, MIKHEEV, SEKISOV,2016).

The distinguishing feature of this approach worth to note is the provision based on the fact that the formation of production costs, ultimately, becomes the base of the natural price of products. In other words, the average market price of a product is formed first of all by the cost of labor, and only then by the entire aggregate of the monetary costs of its production. In this case, the monetary expression of all production costs takes the form of the natural price of the most important primary resources - labor, land and capital. Accordingly, in monetary terms, these resources are in the form of wages, rent, and profit.

The development of social relations enhances the division of labor, which in turn leads to an increase in the number and an increase in the structural complexity of economic ties. This means that the costs of labor, formed within the framework of real production systems, have a serious impact on the results of the exchange process arising from the action of objective economic laws. In other words, it is advisable to maintain proportionality between the prices of goods and the costs necessary for their production. Despite the susceptibility of prices to market changes due to the influence of the laws of supply and demand, they must reimburse all production costs, including labor ones.

Before capital is included in the production process, costs are considered only as labor costs. When using integrated means and objects of production, including various kinds of machines, mechanisms and materials, the labor put in them is considered as an additional factor of production. Hence, the costs of using various means and objects of labor directly involved in the production process are not lost, but transferred to the manufactured products, taking the form of materialized labor.

It should be noted that when studying the process of formation of production costs in terms of priority of labor costs over all other types of costs, the economic category of production costs is presented as a set of certain services of production factors, expressed in the form of wages, rent, and interest on capital. At the same time, the value of production costs depends, first of all, on the interaction of market demand and supply for specific factors of production. Considering the essence of the formation of production costs through the prism of the priority of labor costs, it seems appropriate to note certain provisions of the doctrines of a number of economists who studied the nature of production costing within the framework of the classical approach.
The views of W. Petty (ANIKIN, 1985; AFANASIEV, 1960) should be the first to mention. The scientist based his studies on the formation of production costs, carried out on the basis of an abstract method of study within the framework of the theory of value, on the existence of a real variety of market prices. In his attempt to fully explain the nature of value, and therefore the essence of the process of formation of production costs, he revealed two key elements of the principle of wealth, which can be defined as labor costs and the fundamentally inexhaustible productivity of land (non-incoming value of land). In other words, the achievement of the most acceptable production results, according to W. Petty, is based, first of all, on the availability of labor costs and the maximum use of natural resources in the production process, which are the basis of any production activity.

P. Boisguillebert considered labor costs as the main component of the formation of production costs (ANIKIN, 1985). One of the key findings of the scientist’s research was the introduction of the concept of a measure of value. According to P. Boisguillebert, the determining measure of value is the labor time required for the production of new products. This conclusion allows us to take a different look at the essence of the process of formation of production costs, which is reflected in the need to consider the influence of the time factor on the cost-formation efficiency of production systems. This indicator is one of the main in determining the viability of the cost mechanism.

Considering the essence of the formation of production costs, it is advisable to pay attention to the views of F. Quesnay and A. Turgot (ANIKIN, 1985, QUÉSNAY, 1960, HAYEK, 1992). Studying the factors influencing the net product value, F. Quesnay introduced the concepts of productive and unproductive labor. In turn, A. Turgot developed the doctrine of a pure product, noting that a pure product is not a simple gift of nature but the result of the special productivity of workers, appropriated by the owner of the means of production. The conclusions of scientists speak of the need to consider, when studying the essence of the formation of production costs, such economic categories as productive and unproductive labor, labor productivity. This is due to the significant influence that these factors have on the results of the functioning of production systems.

D. Ricardo and A. Smith (SEKISOV, 2000, TURGOT, 1961, SHMALEN, 1998) made a great contribution to the study of the essence of production costing within the framework of the theory of value. A. Smith believed that production costs are formed on the basis of labor costs and other monetary costs arising in the process of production activities. In addition, in his opinion, these elements are the basis of both the natural price of manufactured products and their exchange value (an economic category that characterizes the quantitative ratio of the exchange of the use value of one kind for the use value of another kind). Moreover, the scientist noted “that labor is the only universal, as well as the only exact measure of value, or the only measure by which we can compare the value of various goods at all times and in all places” (TURGOT, 1961).

D. Ricardo rejected A. Smith’s approach to the formation of production costs, defining as their main component only labor costs for production. The scientists have established a general dependence of the value of the product on the level of labor productivity. A change in this indicator, according to D. Ricardo, always leads to a change in the cost of manufactured products, and therefore has a direct impact on the process of formation of production costs. Moreover, the cost value is always inversely proportional to labor productivity.

Arguing against D. Ricardo, J. Say interpreted differently the essence of production costing (ANIKIN, 1985). The scientist’s approach is based on the study of three key factors of production, namely labor, land, and capital. J. Say considered the aggregate of costs formed on the basis of the specified factors of production as the basis for the formation of production costs. This approach seems to still remain relevant in modern conditions, although it has undergone a number of changes.

K. Marx and F. Engels made a great contribution to the study of the essence of the formation of production costs (MARK., ENGELS, 1985, MIKHHEE, SEKISOV, 2019). They noted the duality of the nature of productive labor. According to their views, the source of user value is specific labor, expressed in a given form, and having differences in quality characteristics from any other types of labor. The source of the same net value is some abstract labor. Moreover, it is completely independent of the specific form of expression. In addition, scientists distinguished between the concepts of labor and labor costs, which were previously equalized. Labor costs according to K. Marx and F. Engels cannot be the result of exchange relations. It is only possible to buy and sell directly labor - the ability to productive activity. Labor is just the consumption of the possibilities of labor in the production process.
Summarizing the views of representatives of the classical approach to the essence of the formation of production costs, it should be noted that, as a result of the development of commodity production, it is becoming increasingly important to assess economic benefits by the number of costs of living labor produced in the course of enterprises’ activities. Underestimation of this fact can have an extremely negative effect on the results of management of the industry's production systems, which, first of all, indicates the ineffectiveness of the functioning of their costly mechanism.

The advantage of the considered approach to the essence of the formation of production costs, in our opinion, is the creation of a harmonious system of views on the role and place of labor costs in functioning of the cost mechanism of enterprises. In addition, this approach studies in detail the influence of the time factor, labor productivity, productive and non-productive costs, the state and demand for labor on cost formation. While consideration of the influence of the above indicators on the result of the production systems, ultimately, creates conditions for minimizing the volume of total production costs.

The main disadvantage of this approach from the standpoint of a modern market economy is its one-sidedness, that is, the limitation of the research field when studying the process of formation of production costs only by labor costs. In this regard, it is necessary to focus on the existence of a number of new views on the essence of cost formation, considering the influence of various factors of production on it, and reflecting the possibility of influencing the production process of elements of both the external and internal environment (INTRODUCTION TO THE MARKET ECONOMY, 1995).

First of all, it should be noted that the effective formation of production costs requires a comprehensive account of natural factors that characterize costs in material terms, and price factors that characterize costs in terms of cost. At the same time, it is advisable to determine the level of costs on the basis of such factors as the technical and organizational conditions of production, prices for means of production, the degree of utilization of production capacities, the optimality of the size of enterprises.

It should also be noted that the construction of a cost-effective mechanism should be carried out together with the solution to the problem of maximizing profits. Moreover, profit in this case is not considered as a result of unpaid labor of industrial personnel, but is defined as a reward for entrepreneurial abilities for the rationality of management and the optimal organization of the functioning of production systems. An important link in this case is the efficiency of the structures of enterprises that carry out comprehensive interaction with elements of the external environment and allow them to quickly respond to changes in the market situation.

Finally, the modern view of the essence of production costing is distinguished by great flexibility in the interpretation of approaches to the factors of production that affect the operation of the cost mechanism. There are both primary factors of production, the existence of which regardless of the structure of the economic system (natural wealth and labor), and secondary factors of production, in particular capital, arising from the interaction of primary factors of production. The factors of production can be distinguished on the basis of their materiality and non-materiality. It is also competent to approach the factors of production not so much as resources, but as parameters that affect the production process. Consequently, entrepreneurial abilities, labor organization, as well as management and production technology can be ranked in the given category. Moreover, in this case, a special place is given to the industrialization of technological processes at enterprises of a specific industry, considering their specifics when solving specific management problems.

Thus, a dynamic market environment allows for the presence and the possibility of developing various forms of antagonisms. At the same time, it is necessary to pay special attention to the indisputable preservation of the basic provisions of the classical approach to the foundations of the formation of production costs. However, these provisions, when considering the activities of modern enterprises, it seems, can no longer be interpreted as a comprehensive concept.

One of the most important approaches to the essence of cost formation, in our opinion, is the approach based on the recognition of the priority in the formation of production costs, not so much for the labor costs that appear in the production sphere and only appear during the exchange, but for the degree of utility of the final product revealed by demand proposal. This approach is based on the fact that the process of acquiring a product on the market is determined not by someone’s assessment of labor costs for its production, but by the existence of a certain beneficial effect for a specific consumer. In other words, in this case, there is a shift in the center of gravity from the sphere of production to the area of market exchange.
A number of scientists who investigated the influence of the economic category of utility on the results of economic activity of economic entities, and, consequently, on the development of the process of formation of production costs have considered this approach (BOHM-BAWERK, 1929, MCCONNELL CAMPBELL, BRU STANLEY, 1992, READER ON ECONOMIC THEORY, 1997, SHMALEN, 1996). One of its key conclusions is that the value of the good proceeds directly from the concept of utility, as well as the provision on the objective exchange value, which allows us to speak of the market price as the resultant of subjective assessments of the goods of producers and consumers. The advantage of this approach is the conclusion that it is necessary to use the category of utility in the formation of production costs of enterprises. The main parameter that reflects the level of its impact on cost formation is a detailed assessment of the processes occurring within the external environment.

At the same time, it should be noted that the approach to the problems of the functioning of the cost mechanism is insufficient only through the prism of the degree of usefulness of certain goods, as this does not fully explain the essence of the formation of production costs. It is also important to pay attention to the fact that in this case production problems and tasks remain out of sight, which indicates the presence of one-sidedness in the nature of research. In addition, R. Petukhov noted that “In accordance with the requirements of the law of value, the price as a monetary expression of the value of a product must correspond to the costs associated with its manufacture, and at the same time the use value or usefulness of the product” (PETUKHOV, 1990). Therefore, we should consider the process of cost formation and the changes in both the external and internal environment of production systems.

The cost of goods, on the one hand, combines a synthesis of costs for its production, and on the other, a market assessment of the utility of this commodity. In this regard, it should be noted that one of the key approaches to the essence of the formation of production costs, in our opinion, is also the approach proposed by A. Marshall and based on the organic combination of such economic categories as the utility of goods, production costs, supply and demand (MARSHALL, 1993, SHMALEN, 1996).

This approach remains still relevant. In this case, the marginal characteristics of consumption and demand are applied in the field of production and supply. The key position of the scientist's views was the concept of marginal production costs (costs associated with the production of an additional unit of output in the most economical way). It equated the marginal cost of production with the minimum supply price, at which it is still profitable to supply products to the market.

In addition, exploring the fundamental nature of the formation of costs, A. Marshall concluded that all costs are determined by the sum of suffering, consisting in the need for physical labor for workers and refraining from unproductive consumption of capital for entrepreneurs. In this regard, the monetary costs of economic activity should imply compensation for all the negative effects of these elements in the form of wages (for the irreversible loss of the ability for creative work due to premature aging and fatigue) and entrepreneurial reward (for abstinence and risk).

The originality and relevance of this approach lies, first of all, in the need to assess the production resources used to create products. The value of a particular factor of production, the scale of its application, and hence the value of total production costs, stems from the concept of value (significance) of the resulting product. Its main disadvantage is that in this case, when forming production costs, the need to solve problems associated with effective management and organization of the production process is neglected.

It should be noted that building an effective cost mechanism within the production systems of the industry is impossible without the application of the principle of combining the costs of production activities arising from the use of various factors of production, the essence of which is the expediency of periodic revision of the structure of total costs depending on changes in the external and internal environment of enterprises.

Justification of this principle is carried out on the basis of the production function. This function indicates alternative possibilities, in which the use of different combinations of production factors ensures optimal production of the same final product. This indicator reflects the probability of factors of production to replace each other. It should be noted that the above statement characterizes the modern view of the production function. The disadvantage of the classical approach to this problem lies in the recognition of the dominant position only for the technology of production, as well as in the establishment of limitations when considering the possibilities of interchangeability of factors of production (INTRODUCTION TO THE MARKET ECONOMY, 1995).
One of the most appealing approaches to the essence of the formation of production costs, in our opinion, is
the so-called transactional approach used by R. Coase, as well as a number of other economists, to consider
certain problems (CDASE, 1993, PIgou, 1985). R. Coase introduced the concept of transaction costs, in a
generalized form, representing the costs of effort, time and money to complete a transaction (deal). In other
words, transaction costs are an element that in a given way transforms the impact on the price signal of such
market categories as supply and demand. Attention should also be paid to the fact that the price signal itself is
modified in some way under the influence of this type of costs.

Modern economic conditions determine the expediency of using the transactional approach in forming
production costs mainly by the increase in the ability to respond quickly to the corresponding changes in the
market situation. In addition, while there is an opportunity to organize additional transactions – the company will
grow. At the same time, special attention should be paid to the formation of coordination costs, which include,
in general, the costs of collecting and processing information and costs associated with negotiations,
registration and technical support of transactions.

Revealing the essence of this type of cost, it should be noted that at the current level of development of inter-
industry ties skillful manipulation with the available factors of production is not enough for the effective
organization of the production process. It is important to carry out the same successful interaction of economic
systems in general with elements of the external environment. To do this, it is necessary to constantly be ready
for the emergence of additional costs, involving the creation of conditions for optimizing the activities of
enterprises in order to achieve the greatest economic effect.

The advantage of the considered approach is the ability to identify and substantiate new features and factors
that have a great impact on the process and results of the formation of production costs. The current line of
research provides a different look at the problems of cost formation and creates conditions for the optimal use
of the resources of production systems.

The main disadvantage of this approach is the desire to solve all the problems of cost formation that arise in the
process of joint activities of business entities, only in terms of building their effective interaction with elements
of the external environment. At the same time, opportunities are missed to solve the problems of enterprises by
using production reserves, which seems inappropriate in a market economy. An important approach that
provides a fresh look at the essence of the formation of production costs, as well as at the process of obtaining
the given results of economic activity, in our opinion, is the approach used by V. Leontiev when studying the

To explain their views, the scientist used L. Walrae's general market equilibrium model, built on the effect of zero
influence of transaction costs and being abstract in nature. In addition, to substantiate the research, he used a
special case of the production function, which consists in fixing the relationship between labor and capital. The
input-output method developed by V. Leontiev considers quantitative relationships between various elements
of the economic system, characterized by the so-called technological coefficients. The main line of the study of
this method is the study of groups of indicators for a number of key positions, including material costs of
production, final products, value added and redistribution of net product.

The essence of V. Leontiev's method lies in the possibility of tracing the quantitative reactions of all interrelated
elements as a result of any modifications occurring in the system as a result of the impact of market supply and
demand, or subject to a modification of one of its elements. This means that any transformation of the market
structure of needs or the technological structure of production leads to a change in the structure of equilibrium
prices, and, consequently, to a change in technological coefficients. It should be noted that V. Leontiev also
pointed out the fundamental importance of the appearance of a direct relationship between certain processes
at the moment when the result of one of them becomes the costs of the other. This implies the formation of a
system of elements that depend on each other directly, indirectly, or directly and indirectly at the same time.

The relevance of this approach in relation to the modern concept of the formation of production costs lies in the
possibility of considering economic entities as integrated self-governing systems, deeply build into the external
environment and including a certain number of closely interrelated elements. In other words, the construction of
an effective cost mechanism within the framework of industry enterprises is possible only on the basis of the
principle of integrity associated with the need to consider the degree of influence of each of its components on
the activities of systems and the level of influence of external factors on individual elements of systems.
should be noted that this approach to the problems of cost formation makes it possible to predict the rates of economic growth fairly accurately, the dynamics of production, organizational and management structures, as well as the main directions of enterprise development.

MATERIALS AND METHODS
Thus, the basic provisions of the considered approaches to the essence of production costing, in our opinion, are critical for its rethinking in terms of a modern market economy. In addition, they are the basis for determining the key principles for improving the operation of the cost mechanism. At the same time, it should be noted that the functioning of such a mechanism requires a clear interpretation of such fundamental economic categories as production costs and the formation of production costs (SOLOVYOV et al., 2020; SMITH, 1962).

The modern interpretation of the concept of production costs in terms of the market environment is based on the conceptual concept of the essence of production activity. The essence of production activity at the moment seems to be that the production of a particular product implies not only the solution of purely technical tasks for the material creation of a unit of production, which is narrowly production in nature and includes organizational and management support, but also a solution to ensure promotion of finished goods to a specific consumer, guaranteeing sales. In severe competition and dense saturation of markets with high-tech goods, only guaranteed sales make the process of production possible.

RESULTS AND DISCUSSION
It should be noted that currently there are many different approaches to the interpretation of the economic category of production costs (Economics, 1996; Engels, 1973). Their generalization and critical rethinking make it possible to formulate the concept of production costs (EKISOV, 2012; SEKISOV, 2012; SEKISOV et al., 2018). Production costs are the aggregate of the costs of living and materialized labor (material costs arising in the process of production activity), and the costs associated with bringing the results of production activities to a specific consumer (material costs arising in the process of entrepreneurial activity). A specific form of expression of production costs in economic practice are cost indicators that characterize their level in monetary terms - cost indicators. This interpretation is determined by the fact that in modern economic conditions the influence of the costs accompanying the process of promoting and selling goods on the possibility of production activities is commensurate with the similar influence of the costs of living and materialized labor.

The considered approach to the essence of production costs allows us to look differently at the foundations of the process of their formation. The previously used interpretation of this concept, which consists in the need to address the issues of education, compilation, giving a specific form to the system under consideration, as well as structuring its individual elements (creating and maintaining order within a set of stable ties that ensure the integrity of the system), does not meet the requirements of the market economy. This is explained by the increasing role of processes accompanying production activities and focused mainly on the feasibility of considering the influence of factors of the external and internal environment (KRAVCHENKO, 2019).

In this regard, the concept of formation of production costs (production activities), or the process of cost formation, should be interpreted as a set of measures, including a certain sequence of actions for building the foundations of cost formation (determining the composition and structure of production costs) and managing the process of obtaining the final result of the cost mechanism. In turn, the cost mechanism is a progressive system of actions aimed at the efficiency of transforming some types of costs into others. This definition covers a wider range of issues, the solution to which will not only organize the activities of centers of formation of production costs (cost centers), but also regulate their work (KRAVCHENKO, 2018).

It should be noted that this approach to the formation of production costs is more flexible than the traditional view of this problem, which is mainly determined by the use of management elements within its framework. This qualitatively changes the role of the process of formation of production costs in the activities of enterprises.

CONCLUSION
Thus, despite the controversial, inconsistent, and in some cases even partial nature of various approaches to the essence of the formation of the costs of production activities, it should be noted that there is a common desire to optimize the functioning of the cost mechanism of production systems in the industry, as well as to create a rational system of correlation of its elements with various production factors. Attention should be also drawn to
the fact that the rethinking of existing approaches to the essence of the formation of production costs creates an excellent basis for researching the quantitative dependencies between the cost component and various performance indicators of enterprises, which, in turn, will identify the most promising directions for the development of production systems.

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