

Legal regulation of period cost in accounting

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The subject of the research is methodological approaches to period cost in accounting and its importance in shaping accounting and analytical support of management system.

Keywords – methodic of accounting, operational activities, period cost, financial results.

I. Introduction

The procedure for determining financial results based on the comparison of income with costs that are incurred to produce it. However, a significant proportion of the costs can't be economically feasible way associated with the produced income. Such costs called period cost in the accounting. Due to the dynamic development of partnerships, increased competition and, in general, unstable socio-economic environment, where domestic enterprises are located, the share of its costs tends to increase significantly. It's leading to a decrease net income and in some cases it's a cause of damage.

To the development of cost accounting methodology a significant contribution made such national scientists: F. F. Butynets, S. V. Golov, G. G. Kireytsev, M. S. Pushkar. The scientific works applied nature for cost accounting and, to some extent, it been taken into account in the formation of national Generally Accepted Accounting Principles and Standards. But, unfortunately, it formed a significant gap between theoretical achievements of scientists and practice of accounting.

Theoretical developments of scientists don't always find implementation, both at the legislative level and on the part of management accounting methodology the Ministry of Finance of Ukraine. The main reason is that the national cost accounting methodology approved by defining Generally Accepted Accounting Principles and Standards and other legal documents that aren't adequate to the problems of the present, in particular, the period cost in accounting and don't contribute to the formation of appropriate accounting and analytical support of management system.

II. Main research

Recently there has been a tendency to increase in staff costs and ensure the smooth operation of the enterprise; it's in particular the administrative, costs of sales and other operating costs. Increase the size and diversity of its costs calls attention to its accounting, analysis, control and management.

According to Generally Accepted Accounting Principles and Standards 16 "Costs" "... costs of reporting period are recognized or decrease in assets or increase in liabilities that result in decrease equity of enterprise (excluding increase of equity to its withdrawal or

allocation holders), provided that its costs can be measured reliably" and " ... that cannot be directly linked to income of period and display it's must be a costs of the period in which they were made "[1].

The concept of period cost is somewhat narrower from the concept of operating cost which includes the cost of sales. In turn, operating period cost combined cost which is necessary to ensure the smooth operation of the enterprise as a whole. According to Generally Accepted Accounting Principles and Standards 16 "Costs" "... the object of cost is the product, work, service or type of enterprise activities, which requires the identification associated with its production (implementation) of costs" [1].

Accordingly, the object of cost is enterprise activities implemented in the current period and expressly doesn't apply to the production process.

Thus, it becomes apparent that it is necessary to draw the line between costs arising in the production of product (goods, works, services) with costs that are caused by activities of the enterprise as a whole. It's based on methodological principles of forming cost information in accounting.

At present, information about period cost, which is formed in the accounting system, is unable to meet the needs of management. Assessing such data, it is worth noting its low efficiency and analyticity. In particular, the process of period cost in accounting consists of the following steps:

- 1) documentation;
- 2) reflection on accounts;
- 3) summarize the information in the accounting registers;
- 4) disclosure in the financial statements of enterprise.

At each of its stages there are a number of shortcomings that affect the formation of accounting and analytical support of period cost management. It's irrationally organized schedule workflow, or its absent are the reason that costs doesn't timely reflect in accounting. A characteristic feature of period cost is that in most cases its origin is connected with the external environment of the enterprise, and therefore a significant volume of primary documents formed not by enterprise, but it is coming from the partners.

Accordingly, before information about incurred costs will be reflected in the accounts, documents can linger in other parts of the enterprise. For solve this problem the enterprise can comply the schedule workflow for the centers of responsibility. The schedule workflow should specify the list of documents for the preparation and accuracy of employee is personally responsible. Improperly organized schedule workflow gives rise to a number of problems:

- untimely flow of information;
- not optimal routing of documents;
- the lack responsibility of securing for the formation of documents;
- the impossibility of forming management reports based on the collected data [2, p.12-18].

The next stage of period cost in accounting – the period cost are displaying on accounts. According to the

Regulations on the use of chart of accounts all of the above costs (if using 9th grade of accounts) accounted for active accounts: 92 "Administrative costs"; 93 "Cost of sales"; 94 "Other costs of operating activities".

At the end of the reporting period it has been written off on account 79 "Financial results" [2]. It is advisable to note that the preparation of financial statements the reporting period is one calendar year, but, if necessary, it may determine shorter period, e.g. quarterly, monthly. It's important to reduce the length of the period, as it provides greater efficiency of information within the existing accounting and analytical support of management system. Shortcoming in the organization of this accounting stage is the lack analytics of costs for its type on the above accounts. In our view, each of the accounts, which keep track of costs, must have second order (analytical accounts). For example, to account 92 "Administrative costs" should open the accounts of the third order: - 92.1 "Cost of management"; - 92.2 "Cost for depreciation, maintenance and rental of fixed assets and other non-tangible assets, intangible assets, low value items"; - 92.3 "Cost of fire prevention and the provision of safety and health requirements". To account for the cost of sales is advisable to use the following sub-accounts: 93.1 "Cost of the business units associated with sales"; 93.2 "Cost for depreciation, maintenance, operation and rental of fixed assets and other non-tangible assets, intangible assets, low value items"; 93.3 "Cost of sales"; 93.4 "Warranty costs"; 93.5 "Cost of marketing and promotional activities"; 93.6 "Cost of fire prevention and the provision of safety and health requirements".

It will form detailed accounting and analytical support for management costs even in the early stages and, therefore, will help to determine the structure of its costs.

Its group the information about period cost of their economic content at third accounting stage – the formation of registers. The information contained in the primary documents, systematized on accounts in registers synthetic and analytical accounting by double entry it into related accounts. The main purpose of accounting registers is to provide of visibility reflects costs based on primary documents. It is advisable to note that its composition and type depend on the form of accounting. It may take the form of a separate table, books, journal and card. In the forming process registers of period cost it must run the following requirements:

- a single methodological basis (principle of double-entry);
- the relationship of synthetic and analytical accounting;
- display of period cost in the accounting registers based on primary documents;
- accumulation and clustering of primary documents in the context of performance required for management and control of period cost and for reporting of enterprise.

The formation of accounting registers for period cost is extremely important, because its data can be used for budgeting in the enterprise.

The final stage of period cost accounting is displayed it in reports. In particular, the main form of financial statements where information about period cost is displayed is a Income Statement (Statement of

comprehensive income). Grouping of costs in this form is by type of activity. According to recent changes enterprise have the right to add articles in the report [4]. The basic requirement for information about new articles in the report: it meets the following criteria as materiality and reliability assessment.

Conclusion

Significant importance is the organization of accounting and analytical support of period cost management, it given the impact of period cost on the formation financial results. The basic requirement such support is to ensure the formation of such compliance with legally defined methodic of accounting. In our opinion, the observed deficiencies in the organization of cost accounting determine the complexity of its management and control, so they should take the decision for further development.

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