DONG HAI,
PhD student
Scientific supervisor: **Davydiuk T.,**
Professor of the Department of Accounting and Finance,
Doctor of Economics, Professor
National Technical University "Kharkiv Polytechnic Institute", Kharkiv

COST MANAGEMENT IN CONDITIONS OF ECONOMIC INSTABILITY OF A COMPANY THROUGH THE COST CLASSIFICATION

Cost management becomes particularly acute for company administration in conditions of economic instability. One of the tools for effective cost management is the use of necessary cost classification, as it depends on the management task that needs to be addressed: determining the cost of production or the profit from its realization, evaluating the results of a responsibility center, etc. The increasing number of publications testifies to the relevance of cost classification issues. For example, B. Chorniy [1] notes that a cost classification is an important tool for creating a cost management system; S. Kulakova, A. Tkachenko, M. Razno [2] emphasize that to avoid the risks of bankruptcy and loss-making economic activity, enterprises must have information about the level of their costs and cost. H. Liashenko and V. Ovsiannikova [3] are convinced that one of the components of the management system is cost management, which determines the ability of the enterprise's manager to manage.

One of the important directions of cost classification is based on the method of inclusion in the cost of finished products. Based on this criterion, all costs are divided into direct and indirect. Direct costs can be accurately and solely allocated to the cost of production or another object of calculation. Typically, direct costs include the costs of raw materials and materials used in production, as well as labor costs of key production workers. Indirect costs, often referred to as overhead costs, cannot be economically justified to be directly associated with a specific accounting object. Such costs include general production, administrative expenses, sales costs, and other operational expenses. They can be allocated to the object of calculation (cost carrier) through allocation methods and bases adopted by the enterprise.

From a management perspective, it is necessary to determine which costs will be classified as direct and which as indirect. This question falls within the competence of the financial director, and the clarity and transparency of planned and reporting data will depend on their decision. For example, if electricity for technological purposes constitutes an insignificant portion of direct costs, and it is time-consuming to standardize and consider them for each specific product, it is easier to consider such costs as indirect.

Another effective cost management approach is the classification of costs based on their relationship to production volume. Based on this criterion, all costs can be divided into fixed and variable. Variable costs depend on the production or sales volume but remain unchanged per unit of production (such as raw materials and materials used in production, direct labor costs, electricity for technological purposes, etc.). Fixed costs do not change with increasing production volumes (such as rent payments, equipment maintenance, and salaries of administrative personnel), but their allocation per unit of production is adjusted with changes in business activity levels.

In addition to the aforementioned directions of cost classification, the classification based on relevance to specific decisions deserves attention from company management. In this classification, all costs can be divided into relevant and irrelevant. Irrelevant costs are those that do not depend on the decision made. For example, if a company has a building at its disposal, and there are two options for its use: setting up a sewing workshop or using the premises as a warehouse, the costs associated with maintaining the premises and utilities will be irrelevant because they do not depend on the chosen option. Costs related to setting up the workshop or adapting the premises for use as a warehouse will be relevant. It is worth noting that this classification of costs is rarely used in enterprises. Most enterprises consider all major types of production costs as relevant and take them into account when analyzing the cost of finished products.

In the conditions of economic instability, information regarding the mentioned types of costs will be important for making decisions on cost optimization, as one of the mandatory measures of an anti-crisis program is cost optimization (reduction). Systematizing information based on different directions of cost classification will help identify which costs need to be reviewed by the company whose financial stability is at risk and how they can be optimized with minimal effort. To achieve this, company management needs to: set a target value to be achieved; select sources of information that will help identify cost reduction reserves; determine and evaluate methods of cost reduction; decompose tasks; gather proposals for optimization and evaluate the potential effect; assess the risks associated with cost reduction and determine how to mitigate negative consequences; set implementation deadlines and assign responsibilities.

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