THE TERMINOLOGY OF THE COSTS ACCOUNTING: THEORETICAL ASPECTS

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Abstract. *In the article various approaches to the formation of the costs accounting terminology have been studied and the essential content of the concepts of costs, expenses, expenditures, their relationship and correlation with income. The time frame for their formation and the impact on the production costs in the costs accounting, as well as the need for their legal regulation for accounting and tax purposes have been determined.*

Keywords: expenses, costs, expenditures, costs accounting, accounting standards

Introduction

Nowadays modern business conditions, which are characterized by the importance of reliable formation of financial reporting indicators due to the strengthening of the tax (fiscal) aspect of the relationship of enterprises with the budget, dictate the need for appropriate methodological approaches to determining the taxable operating results. This means increasing the relevance of correct interpretation of terminology used in the costs accounting. It would seem that the solution to this issue could be simple, since the market conditions of social production in the international economy should have long ago determined the unambiguity in the interpretation of accounting terms. To a large extent, this is also the goal of developing, approving and recommending of international standards. However, this is not the case. It should be noted that there is no consensus among foreign experts in the field of cost accounting on the essence of terms.

Main part

Thus, the problem of unambiguous interpretation of the meaning of concepts and definitions is posed in the English textbook on accounting theory by R. M. Mathews and M. H. B. Perera. They note that although the words "expenses" and "costs" are often used synonymously in the literature, their meanings are different from an accounting perspective. The term costs refers to any use of resources, including the acquisition of assets, while the term expenses refers to the use of only those resources that are put in line with income when determining the profit of an economic entity for a given period [1, p. 314]. In support of this, we can cite the following judgment of Z.Rahman and A. Sheremet about the importance of correct interpretation of terms and the consequences of an ambiguous approach to their definition: "Clear separation of the concepts of "cost of production" and "costs for the reporting period" is absolutely necessary when preparing the profit and loss statement, when comparing income and expenses" [2, p. 173].

There is no consensus on this point among German economists. So, R. Spitzner believes that "... the expenditures are broader than the expressed costs" [3, p. 46], while R. Mollendorf and M. Karrenbauer conversely define expenditures as the valuation of goods and services consumed in the production process and sales of the enterprise [4, p. 15].

It should be noted that in the American managerial accounting A. Murtuza emphasizes the importance of the problem of forming an appropriate conceptual glossary. "To better understand management reporting," – he notes, – " you need to start by studying the terms used in it. So costs refer to expenses, losses or use of resources... the purpose of costs represents the reason why this resource is used" [5, p. 5-32]. At the same time, American accounting textbooks also give an ambiguous interpretation of the terms "costs", "expenses", "expenditures". In B. Needles, H. Anderson, D. Caldwell, these terms are synonymous, but the differences are determined by the purpose (reason) of their occurrence [6, p. 432, 451]. The author of another textbook, Van Breda, sets out the following approach to the definition of costs and expenses: "basically, costs are measured by the current assessment of economic resources transferred (or to be transferred) in exchange for goods and services intended for use" [7, p. 246]. According to this author, expenses are represented as a component of the costs incurred, correlated with the income received in the reporting period.

There is no clear distinction between the concepts of "costs" and "expenses" in T. Skone [8, p.78].

The American scientists R. Anthony and J. Reece associate expenditures with costs, and expenses are considered as the item of expenditures related to the current accounting period. Expenses, in their opinion, represent resources for earning income during the current period [9, p. 46].

The results of the research allow us to conclude that the problem of forming and defining the essence of concepts and terms in accounting exists both in domestic and foreign accounting practice and theory. Therefore, in 1979 the organization for economic cooperation and development, an intergovernmental organization of 24 countries, has established a working group to develop a classification of accounting terminology, achieve comparability of financial information and harmonize accounting standards. The adoption of international standards aimed to raise the general methodological level of accounting [1, p. 569].

The legal system in any country is the basis of accounting, so its methodology is determined by the existing economic power, that is, the legal support of accounting is determined by its information needs (requests). Therefore, accounting is characterized by national peculiarities of its regulation. International financial reporting standards are focused on a universal approach to the economic structure of various countries and therefore are of a recommendatory nature. However, due to the fact that they do not have legal force, are insufficiently detailed and allow various variants of decisions, the countries applying them have determined the need for state regulation of accounting organizations [10, p.191]. The main factors regulating the accounting system in each country are the economic conditions of its development and the organization of the legal system. The socio-economic conditions of every country are and should be reflected in the accounting system, so national standards should be adequate to these conditions. In this regard, the adoption of international financial reporting standards should be adapted to national circumstances.

We believe that the economic activity of the organization primarily involves its implementation in accordance with the statutory provisions. This point is an important starting point for determining the scope of operation of costs accounting. The Charter of the organization determines the scope of use of resources and is the basis for their clear differentiation by stages of economic activity. The expression of resources consumed in the process of statutory activities is the cost, the purpose of which is to provide income for the organization. Costs represent a decrease in the economic resources of the enterprise (cash) or an increase in accounts payable. The same characteristic of costs is given by the English economist D. Middleton: "Costs are what you have to give to get what you want" [11, p. 177]. Costs are the use of material, monetary and labor resources during the reporting period. The organization's costs can be recognized as expenses or capitalized, i.e. attributed to assets. The transition of costs to the category of expenses is determined by the nature of the authorized activity. These costs are regular. Capitalized costs can be current and long-term. Current capitalized costs represent inventory and finished products (estimated at cost).

The organization's capitalized costs are caused by its investment activities and are related to the acquisition of long-term assets: fixed assets, intangible assets, and long-term financial

investments. Expenses are the part of costs that are limited within the reporting period or correspond to the income received, i.e. they are the part of costs incurred by the enterprise that correspond to the products produced and sold in the reporting period. Therefore, the following conditions are necessary for converting costs into the expense category:
- they should be reflected in the cost of production;
- they must occur in the reporting period, that is, they are reflected in accounting regardless of the time of payment (preliminary or subsequent);
- the moment of revenue recognition must come, i.e. the moment of product sale.

It follows that the cost price reflects the costs related to the production process. It embodies the costs of past materialized and living labor. Quantitative certainty of the cost price acts as the production costs of the organization for the consumed material, monetary and labor resources, determined by the production technology. Costs are recorded in accounting when performing business operations of the procurement process and main activities, while the expenses are adequate to the cost of sales, i.e. they are inherent in the process of its implementation, in which income is generated. Expenses and income are compared in the process of realization or, in other words, when income is recognized. Therefore, the cost of sales is identical to the expenses of sales. Costs incurred by the organization in the reporting period may be either equal to expenses or large. They can be equal if all the products produced in the reporting period are sold and the costs included in the production cost of the reporting period are related to the receipt of income. If the sale of products will take place in a smaller volume of the produced, the costs will be higher than the expenses [12, p. 45].

In certain reporting periods, organizations make expenditures that are not specifically related to the production of goods. This is the cost of managing and organizing the production process. Depending on the accounting policy adopted by the organization, such costs may immediately be classified as expenses (management expenses) in the reporting period. If the accounting policy provides for the calculation of the full costs of the product of economic activity, then such costs of produced but not sold products will remain costs and will be transferred to assets as the remains of finished products. The inclusion of costs in the cost of production may not coincide with their transition to expenses. This approach shows that costs are converted into expenses in the period when the revenue was recorded, the receipt of which is provided by the costs incurred. Costs continue to remain in their quality (assets) until the corresponding income is received. The presented relationship shows that the category of "costs" is broader than the concept of "expenses", which are the part of the costs incurred by the organization.

Conclusions

Therefore, in order to bring the content of the cost of production indicator in line with its economic essence, it is necessary to change the current procedure for its formation. The cost price must include the full cost of production. For tax purposes, excess expenses must increase taxable profit. In this case, the tax-accounting profit indicator will differ from the indicator reflected in the accounting. With this approach the tasks of costs accounting change in the process of costs of goods sold indicator formation. It must provide the full accounting of all incurred costs, including those within the approved norms, standards, and limits. This should be reflected in the accounting and tax policies of the business entity.

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