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### Determining Product Cost for Cost Management

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#### Abstract

Cost management in businesses plays an important role. Costs affect a business's profits. In manufacturing enterprises, determining product costs will affect the decision-making of managers in determining selling prices, deciding on production and choosing business plans. This article presents the total costing method including theory, current situation and solutions to perfect the total costing method to provide information for managers to make

decisions. In theory, the article presents the content, advantages and disadvantages of the total cost method. Regarding the current situation, the article presents the current situation of applying pricing methods and the current situation of applying total costing methods in manufacturing enterprises. At the same time, the article offers a solution to perfect the overall cost calculation method suitable for animal feed processing enterprises in Vietnam.

**Keywords:** Product Costs, Total Cost, Cost Allocation Criteria, Corporate Governance, General Production Cost Allocation

#### 1. Theoretical basis

Corporate governance is a process of continuous, organized, targeted influence of the business owner on the collective of people in the business, making the best use of potentials and opportunities to conduct operations. production and business of the enterprise to achieve the set goals in accordance with laws and social practices. Corporate governance is to ensure higher efficiency of production and business activities. Cost information is the main information provided by cost accounting. Costs play an important role in forming the results of production and business activities of an enterprise. In particular, product price plays an important role in determining the costs and profits of a business. The difference between revenue and costs is the business's profit. Business revenue is often influenced by market prices and market fluctuations, while costs are influenced by management decisions and cost control within the business. Therefore, a business that wants to survive, develop and be profitable needs effective cost management to ensure that the individual costs produced by the business are equal to or less than the average costs of other businesses. same industry. That is the important task of cost accounting in manufacturing enterprises to provide information for the cost management activities of the enterprise.

Cost accounting provides an information system about costs and prices, including estimate information, implementation information and comparative analysis information, contributing to the performance of the functions of administrators. Therefore, cost accounting is linked to strengthening cost management in manufacturing enterprises. Overall cost information is the result of the implementation of the information system. On the basis of total cost information, administrators have a reliable basis to make decisions, to perform cost management functions. costs to enhance cost management in businesses. Determining costs according to the total method is a method of determining costs that includes all costs related to product production, including direct material costs, direct labor costs and overhead costs. manufacturing overhead, which includes both fixed and variable manufacturing overhead costs. Thus, the total cost is determined to include costs incurred within the workshop related to the production of the product. Applying the total cost method is meaningful for both financial accounting and management accounting. For financial accounting, calculating costs according to the total method serves to determine production costs for preparing the Balance Sheet and Business Performance Report according to the provisions of the standard. accounting standards and regulations. For management accounting, total costing is effective in determining product selling prices, evaluating departmental efficiency, controlling costs by each cost center and making decisions.

#### 2. Actual situation

According to the survey, all animal feed processing enterprises surveyed and interviewed in depth chose a simple cost calculation method and a monthly cost calculation period. Through the survey, 100% of animal feed processing businesses

choose the cost calculation object for each type of product, 46/52 businesses (accounting for 88.5%) use simple methods, with 5/52 businesses Enterprises (9.6%) use the ratio method, and only 1 enterprise (accounting for 1.9%) chooses the coefficient method. Of the 52 businesses, 48 businesses (92.3%) chose the monthly cost calculation period and 4/52 businesses (7.7%) chose the quarterly cost calculation period. Below is the product cost calculation table according to the total cost method of Rural Technology Development Joint Stock Company.

RURAL TECHNOLOGY  
DEVELOPMENT JOINT STOCK  
COMPANY

PRODUCT PRICE TABLE

M-SP	Product name	SL (cover)	There will be births in the dormitory			Z	z8v (Bao)
			CP NVLtt	CP NCtt	Production CP		
AB52	Amount of meat (25kg)	20,000	1,765,026,454	10,280,840	1,428,912,514	3,204,219,809	160,211
B52V.05	Thickness (5kg)	1,520	42,833,030	6,511,680	1,331,263	50,675,973	33,339
B52V.20	Thickness (20kg)	1,400	157,805,900	23,990,400	4,904,653	186,700,953	133,358
B52V.25	Thickness (25kg)	1,152	162,314,640	24,675,840	5,044,786	192,035,266	166,697
C12.25	Mixture vegetable for children 20-200g (25kg)	320	48,520,300	8,663,200	1,771,125	58,954,625	184,233
C13.25	Mixture vegetable for children 200-500g (25kg)	650	98,258,020	17,597,125	3,597,597	119,452,742	183,773
C14.25	Mixture vines for children 500g or more (25kg)	496	75,258,200	13,427,960	2,745,243	91,431,403	184,338
GAHAUBI	Mixture for brown rice (25kg)	336	52,500,000	9,096,360	1,859,681	63,456,041	188,857
HHGATRA	Package for white rice (5kg)	2,500	79,587,000	13,536,250	2,767,382	95,890,632	38,356
PNF11.05	Size for meat (5kg)	1,400	35,057,000	5,997,600	1,226,163	42,280,763	30,201
PNF11.20	Size for meat (20kg)	271	27,144,134	4,643,856	949,401	32,737,391	120,802
R100.05	Rice size (5kg)	4,560	162,025,870	19,535,040	3,993,789	185,554,699	40,692
R300.05	Thickness (5kg)	5,040	156,824,008	21,591,360	4,414,187	182,829,555	36,276
R300.25	Thickness (25kg)	1,122	174,560,057	24,033,240	4,913,411	203,506,708	181,379
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	Ceag:	402,324	24,524,145,369	3,886,092,857	794,481,793	29,204,720,019	

Fig 1: Product cost table of RTD Company

Finished products will be tested to ensure quality according to standards. If the finished product is guaranteed, it will be warehoused or sold. However, in cases where production has completed the final stage but testing does not ensure quality, it is necessary to handle it in one of the following two ways: First, the enterprise still calculates the cost. and warehoused normally as for finished products that meet standards, but are managed separately. Later, the damaged products are exported for recycling, taking a part of the batch of damaged products as raw materials. mixed with newly introduced raw materials to produce a new batch of product. The second way is for the enterprise to re-produce the same batch of product but add additional materials to ensure the quality of the finished product and warehouse it according to regulations.

Regarding cost collection objects and fee calculation objects, animal feed processing enterprises choose production cost collection objects as each type of product or each workshop. Direct material costs are gathered directly for each type of product, direct labor costs and general production costs are gathered together for each workshop and then allocated to products according to business criteria. career choice. Animal feed processing enterprises choose the cost object for each type of product. Through the identification of cost collection objects and cost calculation objects, it has served the cost calculation requirements of financial accounting.

Regarding the method of determining cost prices, all surveyed animal feed processing enterprises determine the cost of production products according to the actual cost

method and calculate the total cost. According to this method, the cost of the manufactured product is the actual costs incurred and the product cost will include all costs incurred related to the production of the product, that is, including costs incurred. fixed and variable costs to produce that product. Product costs include direct materials costs, direct labor costs, and manufacturing overhead costs. Determining product costs like this has served well for inventory valuation and determining results according to financial accounting regulations.

Using the actual cost method accurately reflects product costs as required by financial accounting. However, according to this method, the general production costs must not be fully collected until the end of the period, and at the end of the period, the allocation and cost of the finished product are calculated. Product cost information is only provided at the end of the period. In the operating conditions of the animal feed market as well as input materials for animal feed production, prices are constantly changing, influenced by the world market and government policies. country as well as the epidemic situation, determining the price of the product quickly and accurately plays an important role in determining the selling price of the product, as well as orienting the production and consumption of the product.

### 3. Solutions

To perfect the cost calculation method based on total cost, animal feed processing enterprises need to implement solutions including perfecting the document system to collect information and perfecting the cost collection method.

Regarding accounting documents, for mandatory accounting documents, businesses need to comply with state regulations such as invoices, receipts, payment slips... For instructional documents such as import slips and export slips. businesses can add indicators appropriate to information requirements. In addition, accounting documents need to design additional indicators to serve the collection of information in terms of management accounting such as on documents classifying costs according to fixed costs, variable costs... documents. Reflects objects that bear costs and objects that record revenue. Accounting documents need to reflect additional indicators to control costs and serve to collect costs for each subject. On accounting documents, for direct costs for each cost object, it is necessary to specifically record the cost object to serve as a basis for detailed accounting for each object. For example: With the finished product delivery note for sale, it is necessary to clearly state which product to ship to, which customer, and which branch to serve as a basis for accounting for cost prices and detailed revenue for that product and that branch. and for that customer on accounting software.

In addition, to determine the product cost at the time of completion of the product, businesses should allocate general production costs to the finished product, while direct material costs and labor costs should be allocated to the finished product. Direct labor is grouped according to actual costs incurred. General production costs will be allocated to products according to the selected allocation criteria, which can be direct labor hours, machine hours, number of products produced, etc.

$$\begin{aligned} \text{Estimated manufacturing overhead rate} &= \frac{\text{Estimated total manufacturing overhead costs for the entire period}}{\text{Total estimated number of allocation criteria}} \\ \text{Estimated manufacturing overhead costs allocated to product} &= \text{Estimated manufacturing overhead rate} \times \text{The actual number of product allocation criteria} \end{aligned}$$

Allocating estimated manufacturing overhead costs in advance can help businesses calculate product or order costs quickly without having to wait until the end of the period to collect actual overhead costs because of manufacturing costs. In general, costs include many cost elements, arising sporadically during the business's operating period. At the same time, allocating estimated general production costs makes determining product costs simpler. The manufacturing overhead allocation ratio is predetermined at the beginning of the period based on estimates, and during the period when manufacturing overhead costs are allocated, it is based on the estimated manufacturing overhead allocation ratio and estimated number of allocation criteria. Therefore, at the end of the period, there is often a difference between actual manufacturing overhead costs and estimated allocated overhead costs. If the difference is small, allocate the difference to the cost of goods sold account. If the difference is large and the business wants greater accuracy, allocate the difference to unfinished products, finished products, and cost of goods sold.

#### 4. Conclusion

Animal feed processing enterprises operate in a market economy, and enterprises are proactive in mobilizing capital and using capital for production and business. To achieve high business efficiency, managers in businesses in general and in animal feed processing businesses in particular need to be provided with timely and appropriate information for the decision-making process, in Therefore, information provided by cost accounting plays an important role in the information system serving business management. The article has presented theory, reality and solutions to improve the cost calculation system of animal feed processing enterprises. Managers in animal feed processing enterprises need to be provided with timely and appropriate cost and price information for the decision-making process, in which information provided by cost accounting plays a role. Important role in information systems serving business management.

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