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Distinctive features of cost accounting in primary and auxiliary production costs

In the article features of accounting of expenses of auxiliary production are revealed. The relevance of the chosen subject is caused by the fact that auxiliary productions serve the main production, providing it with water, the electric power, transport, etc. Besides, the article considers the reflection order in accounting of operations of auxiliary production and also allocation of costs between the main and auxiliary production is considered.

Keywords: auxiliary production, cost of production, general production expenses, basic production

Auxiliary production for its economic content, as a rule, is similar to overhead service as it aims at activities which are necessary for the maintenance of primary production.

The allocation of auxiliary production in an independent type is carried out in cases where the volume of work is so great that it requires the allocation of individual units (the repair work is not done inside the shop, and the forces of the repair shop, delivery of materials is not carried out by the services of supply, and

an independent fleet, etc.). If the production is small and costs are negligible, they can be considered directly as part of the relevant overhead (General production) costs of primary production.

It should be noted that the organizational isolation of auxiliary production entails the calculation of the cost per unit volume of their work. The expenses of auxiliary production output, works and services for primary production are distributed and included in the cost of the respective types of products of primary production, or are part of overhead and administrative costs, distribution costs, other expenses of the operating activities depending on the functional purpose of the expenditures. Moreover, this distribution is not proportional to a conditional base distribution (as is done for overheads) and direct expense by multiplying the volume of consumed natural resources at the cost of these resources.

To organize cost-accounting subsidiary production enterprise will establish:

— a list of auxiliary, side and other types of productions, which maintain separate accounting records of costs;

— a list of articles accounting costs and expenses included in each article for each production (in the cost of production of the shops of auxiliary production used the abbreviated nomenclature of items of expenditure);

— objects of calculation of the cost of products and services and ways of inclusion of costs of auxiliary production costs in the main production enterprises.

Talking about the features of organization of accounting of expenses of auxiliary production, we should keep in mind that many of the issues of the organization such as accounting (e.g. accounting for fixed costs, overhead expenses, control of production losses) are solved approximately as well as in primary production.

Thus, the organization of the account of expenses begins with determining the composition of primary and secondary production in the enterprise, the choice of objects of calculation and accounting of production costs and calculation of

production costs in each of the workshops. Various methods can be applied in different industries.

To calculate the cost of goods, works and services of auxiliary production it is necessary to know the total value of the costs of their production and the volume of services provided in the quantitative measurement in General and the directions. So, steam power, compressors, energy and other departments, the volume of produced and dispatched goods are determined by the meter readings, as well as on the basis of technical calculations. The volume of work performed mechanical repair shop is determined according to the acts of acceptance of works and transport — according to the weight of cargo and transport distances, indicated in the waybills. The number of products made of tool shop, is determined from the invoices, which are processed receipt of tools and accessories to the warehouse.

The release of products, execution of works and provision of services of auxiliary industries of primary production, other subsidiary production companies for administrative and marketing needs, non-production purposes are carried at actual cost of production. In those cases, when in the organization in addition to structural subdivisions directly producing products, there are also units that perform the functions of auxiliary ones, engaged in servicing of the main production, the costs of these manufactures are accounted for separately in account 23 "Auxiliary production".

In particular, the subsidiary may be regarded as the production of the following functions:

- maintenance of various types of energy (electricity, steam, gas, air and others);
- transport services;
- repair of fixed assets;

- manufacturing of tools, stamps, spare parts; building parts, constructions or enrichment of building materials (mainly construction companies);
- erection of temporary (non-title) structures;
- mining of stone, gravel, sand and other nonmetallic materials;
- logging, sawing;
- pickling, drying and preserving of agricultural products and so on.

These operations are subsidiary only if this type of activity is not the main one.

Accounting for the costs of auxiliary production is made by analogy with the account of the costs of the main production on account 20 "Basic production".

In the debit account 23 "Auxiliary production" reflects the direct costs associated directly with output of auxiliary production, performance of works and provision of services, as well as indirect costs related to the management and maintenance of ancillary industries and the loss of a spoilt production.

Direct costs directly related to the production, performance of work and the provision of services are debited to account 23 "Auxiliary production" from the credit of the accounts for the recording of production reserves, payments to employees on wages, and others.

These transactions are bookkeeping entries:

Correspondence of accounts		Contents of operation
Debit	Credit	
23	10	Writing off the cost of materials transferred to ancillary production for the manufacture of products, works, services
23	70	Accrual of labor remuneration of auxiliary production workers
23	69	The accrual of UST and insurance contributions from accidents to the amount of remuneration of workers in auxiliary production

Indirect costs associated with the management and maintenance of auxiliary production are collected under the debit of accounts 25 "General production expenses" and 26 "General economic expenses" and debited to account 23 "Auxiliary production".

Expenses related to losses from spoiled production in auxiliary production are written off to account 23 "Auxiliary production" from the credit of account 28 "Spoiled production".

The amounts of the actual cost of finished products of auxiliary production can be written off from the credit of account 23 "Auxiliary production" in the debit of accounts:

Correspondence of accounts		Contents of operation
Debit	Credit	
20, 40	23	If the production of auxiliary production is transferred to the units of the main production
29	23	If the production of auxiliary production is transferred to the servicing enterprises and farms
90	23	If the production of auxiliary production is sold on the side or works or services are performed for outside organizations

It should be noted that in cost only overhead costs and general running costs can not be included in the cost of production of auxiliary production and distributed directly by product main production can include the production of subsidiary productions.

In cases where it is not possible to determine exactly which departments the products were manufactured for, works were performed, or auxiliary production services were provided, these expenses are distributed among the specified units in proportion to the amount of direct costs, employee wages, output, and so on. If necessary, expenses are also distributed by types of products.

ZAO "MATVEEVSKOE", whose activity is connected with manufacture of agricultural products, has auxiliary production — mechanical repair department serving the equipment in the main production department.

At the end of April 2016 mechanical repair department №1 has incurred the following costs in the total amount of 477 307 RUB .

- wages — 84 300 RUB;
- insurance premiums for workers wages — 25 457 RUB;
- depreciation maintenance equipment — 314 750 RUB;
- other costs — 52 800 RUB.

Cost allocation of auxiliary production at ZAO "MATVEEVSKOE" is carried out, respectively, the area occupied by the units of production. Total area of ZAO "MATVEEVSKOE" — 41 220 sq m, of which:

- production department №1, 2 and 3 — 13 500 sq. m;
- the main warehouse for storage of raw materials — 4 300 sq. m;
- storage of produced equipment — 14 500 sq. m;
- area for storage of goods and materials is 8 200 sq. m;
- management staff occupies premises with a total area of 720 sq. m.

Accounting ZAO "MATVEEVSKOE" had made the posting:

Debit	Credit	Description	Amount	Document
23	70	Shows the amount of wages accrued workers mechanical repair shop № 1 for April 2016	84 300	Statement of payroll for April 2016
23	69	Reflected the amount of insurance contributions for wage workers it is mechanical repair department № 1	25 457	Statement of payroll for April 2016
23	02	Reflected the depreciation amount for equipment of mechanical repair department № 1 assessed in April 2016	314 750	Statement of depreciation for April 2016
23	10, 60, 76	The Amount of overhead expenses included in cost	52 800	accounting statement

		mechanical repair department № 1 in April 2016		
20	23	The Amount of the cost of mechanical repair department № 1 included in costs of primary production (477 307 * 13 500 sq m / 41 220 sq m)	156 323	accounting statement
25	23	The Amount of the cost of mechanical repair department № 1 included in General production costs (477 307 * (4.300 sq m + 14 500 sq m + 8 200 sq m) / 41.220 sq m)	312 647	accounting statement
26	23	The Sum of costs of mechanical repair department № 1 reflected in the expenses management units (477 307. * 720 sq m / 41 220 sq m)	8 337	accounting statement

Calculating the tax on profit for the April 2016 accountant ZAO "MATVEEVSKOE" took into account the cost of management units (8 337 RUB). General production costs (RUB 312 647) and the cost of the main production departments (156 323 RUB) will be incorporated into the implementation of the released agricultural products.

Thus, you can make the following conclusions. Large enterprises in addition to the main production are structure and support. These units play an important techno-organizational role, and their costs affect the unit cost of main products.

To determine the cost of finished products of the enterprise, you must first carry out costing of works or services of ancillary industries. To do this, during the month accountants need properly maintain records of auxiliary production, and then intelligently allocate their costs between the main products. The choice of method of allocation of costs of ancillary units to the cost of basic products is defined in the framework of management accounting. The main condition is the logical justification of all calculations and documentation of the accounting policy

and in the regulation on the calculation. Costs of auxiliary production facilities become part of the total costs of the organization. For the effective cost control it is important to analyze the effectiveness of support units.

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