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# THE ANALYSIS OF THE ROLE OF MANAGEMENT ACCOUNTING IN INDUSTRIAL ENTERPRISES:THE CASE OF AZERBAIJAN

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# INTRODUCTION

***The relevance of research***. The market economy places special requirements on the quality of enterprise management. The need to adjust to market changes causes an increasing need for enterprises to obtain reliable information for effective management.In this regard, accounting as an information provider increases the importance of making management decisions. Meanwhile, the current accounting system is not yet sufficiently focused on providing the necessary accounting information to enterprise management processes. Accounting should best contribute to obtaining information-oriented data that can be used when making optimal management decisions.This requires an internal accounting system that would provide the company with complete economic freedom in creating information for internal use, enabling effective management of enterprises.

The subject of activity of oil and gas enterprises causes the existence of problems peculiar only to enterprises of the extractive industries.Oil and gas companies are currently in a position where the best oil and gas fields are depleted and have a high production cost. The functioning of enterprises under such conditions requires the use of new management approaches, contributing to an increase in the effectiveness of production activities. In this regard, it is important to increase the reliability, efficiency, strengthening control over the reduction in the production costs and the adoption of timely, correct and effective operational, tactical and strategic management decisions.

One of the most important areas of the Azerbaijani economy, whose enterprises need to improve management accounting, is the oil and gas industry. This is due, firstly, the lack of methodological developments in this area; secondly, informational vacuum at the managerial, legislative level; thirdly, the specifics and the enormous scale of activity.

In Azerbaijan, where manufacturing enterprises are relatively underdeveloped, the oil and gas industries have played and are playing a special role, being the most important factor in the state’s economic, social and political stability, and oil and natural gas are one of our country's most important energy and export resources. Oil and gas have been considered a symbol of the country's power and wealth for many years and serve as the basis for our economy's relatively successful functioning.

The aim of the research is the program of resolution and resolution of issues of the formation and implementation of management accounting in enterprises engaged in the production, processing and transportation of oil and gas. In this thesis, a specific program was considered on the example of the “Azneft” Production Union.

“Azneft” Production Union SOCAR is implementing the development of 34 oil and gas fields in Azerbaijan. Of these deposits, 20 are onshore, 14 on the sector of the Caspian Sea owned by Azerbaijan.

The “Azneft” Production Union has 11 oil and gas producing departments. More than 5,700 wells are being exploited in the fields under development. Numerous technological equipment, pipelines of various types and purposes, pumping, compressor and electric stations, other communications and infrastructures ensure the efficiency of oil and gas production from an economic and technical point of view. [51]

The subject of the thesis research is the methods and techniques of management accounting in the oil and gas industry.

The research's scientific novelty consists in solving the scientific problem of creating a set of theoretical and methodological provisions for organizing management accounting of production costs and production output at the oil production companies ' place of origin and responsibility centers.Scientific novelties include the following provisions of the thesis:

- summarized and systematized scientific management accounting concepts;
- the impact of technological and organizational characteristics of oil and gas production on the organization of management accounting has been disclosed and revealed;

- methodological recommendations have been developed and scientifically substantiated for the establishment of a system for recording the cost of manufacturing and production of products according to their places of origin and responsibility centers at oil and gas enterprises;

- scientifically substantiated proposals for improving the current nomenclature of costing items of expenditure in relation to modern management conditions and taking into account the proportion of certain costs in the production of oil and gas producing industries;

- developed a method of separate accounting of production costs for oil and gas, depending on the methods of operation of wells;

The economic literature broadly deals with the fundamental issues of enterprise management accounting system formation. Management accounting, however, is still a new phenomenon in Azerbaijani enterprises' practical work. In the most important, fundamental issues of management accounting, the lack of a unified approach, a common point of view negatively affects the efficiency of its application in practice and the intensity of its study in the theory of national accounting.

Thesis research aims to develop principles on the formation and methodology of accounting management for costs of production and production of oil and gas, as well as practical recommendations on the organization of budgeting and formation of management reporting in oil and gas enterprises of the Azerbaijan Republic.

In order to achieve the research objective, the work has been done to demonstrate the role of management accounting as an information component of the business, enabling the efficiency and reliability to be assessed by preparing

statements; identify modern features of technology and organization of production at the enterprises of the oil and gas industry in the light of their influence on the process of forming financial information and implementing management accounting; clarify and summarize practical experience in accounting and classification of costs, clarify their specific content in relation to the specifics of the industry; generalize the existing methods of cost accounting, justify the methodological approaches to the organization of their practical application in various business segments; to develop practical recommendations for resolving management accounting problems.

**The structure of the work.** The work consists of an introduction, three chapters, conclusions and suggestions, and a list of references. The volume of the thesis - 66 sheets.

# 1 - THEORETICAL BASES OF MANAGEMENT ACCOUNTING.

## 1.1. Essence of management accounting, its purpose and function.

Transition to the market relations along with radical changes in forms of ownership, methods of management, in creation of the economic relations has also been caused by corresponding accounting changes. From rigid registration regulations from the state in the past, the organizations that now manage accounting have been given a reasonable combination of national regulations and independence.

The development of a new economic system, which basis is made by the market relations, requires quality changes in account analysis management, control, forms and methods. As the main instrument of reforming of accounting and the reporting the state laws on accounting and the national standards created on the basis of International Financial Reporting Standards were adopted.

Accounting as an integral part of the organization monitoring system represents a complementary, continuous documentary reflection of all economic activities in the ordered system for the collection, registration and synthesis of the financial information on property, the liabilities of the organization and its movement.

The accounting in foreign countries is divided into two components: financial and management accounting. Users of accounting information are the main criterion of such classification. [1, p. 10].

*Financial accounting* relies on information on results of the activity of the enterprise provided to external users in the form of financial statements.For the purposes of the decision-making, financial accounting has to meet certain requirements which implementation is provided by a financial accounting system.

The purpose of *management accounting* is providing information which is used in the enterprise by administrative personnel — managers for the choice of a way of achievement, assessment, the analysis and forecasting of results. Information for management accounting is only governed by managers ' needs and can be submitted as in monetary, and in kind.[6, p.11]

According to Ch. T., the management accounting shall be necessary to identify, measure, collect, systematize, evaluate, interpret and forward information for the management of any objects. Production account reflects process of registration, collection, the use of systematized information on production expenses and calculation of cost of production.

The subject of management accounting in general is the collection of objects in the process of the entire production management cycle.Its numerous objects which can be grouped into two groups:

1) the production resources providing expedient work of people in the course of economic activity of the enterprise;

2) economic processes and their results which are in total production activity of the enterprise.

Foreign economists estimate essence of management accounting as accounting of expenses and the analysis of a communication system.

There are three directions of accounting information which characterize a basis of an optimum control system. [34, p. 22]

*The first direction* is a production account which main goal is receiving/collecting registration data on production expenses and the expected profit on sale for calculation of product cost.

*The second direction* – providing managers with information for planning of the forthcoming production costs, forecasting and the analysis of results and also for adoption of management decisions. It can achieve by use of information on real expenses and the report on prime cost.

*The third direction* – for the purpose of control of expenses in places of emergence creation of the centers of responsibility and the centers of expenses.

Management accounting on the basis of production account prepares information bases for adoption of operational, tactical and strategic decisions for managers. For acceptance strategic decisions along with registration data the data obtained during the special researches are also necessary. In addition, it is also necessary to carry information on depreciation charge, the movement of fixed assets, control over their use to management accounting,etc.

In management accounting for calculation of product cost various principles, to be exact three types of prime cost are applied:

*1)* Prime cost on the centers of responsibility – for control of planning and performers;

*2)* Full production prime cost – for determination of the price and adoption of various operational decisions in normal conditions of development

*3)* Exclusively production prime cost – determination of the price and adoption of operational decisions in special conditions. [1,p. 18]

Management accounting is characterized by:

*a)* lack of standardization - ways and forms of conducting management accounting are not limited to standard regulation; forms of submission of reporting data can be any; the applied terms can be used in various meanings convenient for the internal purposes;

*b)* confidentiality - information of management accounting is intended only for internal consumption;

*c)* planned character - management accounting is intended to give forecasts for various aspects of activity of the organization (to the realization volume, operating costs, expenses on personnel and so forth);

*d)* measurement of indicators both in monetary, and in natural material expression, for example, measurement of quantity of production stocks in pieces, running meters, tons, etc. Similar measurement is applied also in analytical account;

Understanding of essence of management accounting allows to reveal dependence of the functions which are carried out by this type of accounting on functions of management. Cycles of management usually consist of planning, control, assessment, directly organizational work, internal information communications and stimulation.

Planning represents process of the description of options of actions which can be carried out in the future. It includes statement of the purpose; formulation of tasks; research of solutions of tasks for achievement of a goal; choice of options of alternative actions. At this stage the manager should have information about the estimate and the expected sources of its execution. Well-designed plans are so flexible that in certain production situations they allow the manager to change them.

Plans can be short-term and long-term. The long-term plan represents the administration's forecast regarding the development of the enterprise for 3-5 years. It provides for a set of measures that the administration should carry out now or in the near future.Thus resolve issues of investments into capital

investments, creation and development of new products as change of the range of products insures the enterprise against risk of decrease in profit.

Control is the verification of the implementation of plans by the manager, the manager. It includes measuring the state of an object: comparing actual results with planned ones; revision of plans, if it becomes clear that they cannot be executed; identification and regulation of deviations from the planned. Control is so closely connected with planning that in normal work there is no distinction between them.Any management decisions are based on assessment in which administrative planning and a control system completely interact.

At this stage of management the manager has information in the form of reports of performers in which results of quantitative measurements of actual state of an object are. Often in the report comparison of the actual and budgetary results and also deviations is reflected. It allows the manager to concentrate attention on negative processes and to reveal the problems requiring the solution in the future. For example, a review of commitments for the delivery of products to some buyers.

Assessment is understood as process of the analysis of all system of decision-making. In this case is defined whether the goal was achieved also the reasons of deviations become clear: planning shortcomings; a non-optimal set of actions which led to increase in operational decisions; discrepancy of a control system to requirements of management; choice of the incorrect purpose.

Organizational work consists in creation of the organizational structure of the enterprise intended for implementation of goals; distribution of duties between performers; coordination of actions of performers on the basis of the internal information communications uniting different levels of management; establishment of communication channels with use of the linear and nonlinear relations.

Functioning of a system of management accounting is defined by organizational structure of the enterprise. The production accounts department appears as the system of the internal reporting of structural divisions. Accounting of costs of production is based on the centers of responsibility that gives information to the management of the enterprise about efficiency of specialization, subordination, division of powers in achievement of the goal.

Stimulation is means of motivation of participants of the production inducing to understand the purposes and tasks of the enterprise and to make the decisions answering these purposes. In this quality estimates and executive reports on their performance act.

Estimates contain the balanced planned targets and focus managers on performance of an ultimate goal of the enterprise. Performing reports motivate validity of correction of the actual results in relation to planned and stimulate personnel of the enterprise to taking measures to elimination of deviations, or to identification of potential problems in the future. The internal reporting will create a basis for increase in the system effectiveness of control and regulation which is carried out by managers.

Internal information communication is the exchange of information and the reporting allowing to coordinate actions of various structural divisions on achievement of an ultimate goal; concretizing tasks of each division for the forthcoming budget period; defining conditions in which each unit manager, and requirements (requirements and restrictions) to it adjacent production divisions will act. Executive reports provide any manager with material for analyzing and evaluating their actions, developing measures to eliminate any actions that have led to a decrease in management efficiency.

Management functions and information to ensure their effectiveness, allow us to formulate the functions of management accounting:

1) long-term planning and coordination of the development of the enterprise and the future on the basis of analysis and analysis of actual performance;

2) the formation of information, which serves as a means of internal communication between levels of management and various structural units of the same level;

3) operational control and evaluation of the performance of internal divisions and the enterprise as a whole in achieving the goal;

Management accounting system consists of a set of procedures that may vary depending on the objectives of management.Nevertheless; they must comply with certain principles. The principles applicable in management accounting include:

1. Principle of completeness. Information has to be the fullest in order that the decisions made on the basis of this information were the most effective;

2. Principle of comparability. Identical indicators for the different periods of time have to be created according to the same principles;

3. Principle of isolation. Demands consideration of each economic subject separately from others. In management accounting at the solution of specific tasks the enterprise not only in general, but also its separate divisions separately is considered;

4. Principle of timeliness. Information has to be provided when it is necessary;

5. Principle of continuity. Means need of formation of an information field of registration data constantly, but not from time to time.

Compliance with the above principles allows you to build a system of management accounting, so that it is most consistent with the main goal of this activity. The use of a management accounting system contributes to the improvement of the entire process of managing an organization and creates real opportunities for its optimization.

## 1.2. Classification of production costs.

The formation of the cost of production is the most important priority in the management accounting system. Understand the costs of its production and realization expressed in cash as product cost. The cost of production is defined as the cost estimate of natural resources used in the production process of products, raw materials, materials, fuel, energy, fixed assets, labor resources and other costs for their production and sale.

Today the place of prime cost in pricing and its role as economic mechanism are of special interest. In the last times the indicator of prime cost was oppressed by such indicators as the price and profit, and remained on the second plan. Acceptance of an indicator of profit as main indicator of assessment of results of activity of the organization, in my opinion, can lead to wrong definition of a role of account and the analysis of expenses insignificant. In the conditions of the market relations each enterprise has to try to find reserves of decrease in product cost, to increase competitiveness and profitability of products.

Cost reduction is an important source of increasing profits, thus an important factor in increasing the profitability of production.

The prime cost performs several functions:

*1)* accounting and control of all costs of production and sales of products;

*2)* the economic rationale for the feasibility of investing real investment in the reconstruction, technical re-equipment and expansion of the existing enterprise;

*3)* determining the optimal size of the enterprise;

*4)* economic justification and adoption of any management decisions, etc.

In international practice, the formation of production costs is based on the following general principles:

*First*, the costs of any kind must be calculated by their places of origin. According to the relationship of the relationship between products and costs, costs are divided into direct and indirect, and enterprises at cost centers.It moves

forward proceeding the principle of "validity" or the principle of comparison of expenses and profit.

The *second* principle is also based on the principle of reasonableness.Not incurred costs should not be included in the cost of the product. For example, advertising costs should be included in the cost of goods sold, rather than residual.

The *third* principle is the separation from conservatism. When preparing the balance sheet, the principle of conservatism is applied. According to this principle, residual goods and materials in warehouses should be taken into account at a lower cost among the market and initially recognized. Because of the likelihood of making a wrong decision due to receiving incorrect information, this principle is not used in production accounting.

The *fourth* principle - loss, more than a standard, should not be included in the cost of production. These losses include downtime more than the standard, excessive consumption of materials and the loss of more plans, as well as losses from natural disasters.

The *fifth* principle is that past expenses are not included in the cost price. In case of non-compliance with the above principles, the cost of production for the reporting period will reflect an unrealistic level and, as a result, it will not be possible to control costs promptly and make management decisions. But this does not apply to future expenses.

Thus, the above shows that the increasing role of cost in production management requires finding new ways and reserves to reduce costs, planning the process of cost formation, its accounting, analysis and improvement of methods for their regulation. The opinion on a possibility of decrease in prime cost and a material capacity, increase in profitability and solvency without arrangement of process of formation of expenses and results is inappropriate.

Determining the range of costs, forming the cost of production, is considered one of the urgent problems in the reconstruction of the mechanism of management in the process of reforming economic activity.

At different stages of economic development, the composition of the cost varies depending on the task. With the transition from one stage to another composition of the cost increases. The accelerated expansion of structure of prime cost is more characteristic of the last two stages of development – self-financing and market economy.

There are many opinions about the content of the cost structure. In my opinion, the nature of industrial production and changes in the organization of production should be reflected and taken into account in the methods of accounting, planning and calculating the cost of production in industrial enterprises, and the proposed changes should be scientifically justified.

Evidence-based classification of expenses is of great importance for the correct organization of accounting of expenses. It will help not only to plan and consider better expenses, but also to analyze them more precisely and also to reveal certain ratios between separate types of expenses and to estimate extent of their influence on the level of prime cost and profitability of production.

In the economic literature, production costs are classified according to various criteria: by type of cost, with respect to the technological process, by dependence on the volume of production, by the method of inclusion in the cost of production, by degree of similarity, by degree of participation in the production and sale of products, by the level of coverage of the plan by period and place of occurrence. (Table 1)

**Table 1. Classification of production costs.**

| № | Classification feature | Cost types |
|---|---|---|
| *1* | By economic content | Cost element and cost item |
| *2* | In relation to technological process | Basic and overhead costs |

| | | |
|---|---|---|
| *3* | In relation to the output | Fixed and variable |
| *4* | On a way of inclusion in product cost. | Direct and indirect |
| *5* | On participation in process of production and sale of products | Production and non-production (commercial) costs. |
| *6* | By the period of occurrence | Current and future |
| *7* | By plan coverage | Planned and unplanned |
| *8* | On expediency of expenditure | Productive and non-productive |
| *9* | By type of activity | The costs of the main and auxiliary production, the cost of material and technical support |

Classification by economically justified characteristics includes groupings by economic elements and calculation items. The economic element is the primary, uniform type of cost of production and sales of products, which at the enterprise level cannot be divided into component parts.

Allocation of economic elements is necessary for establishment of planned and actual expenses for the enterprise as a whole, as well as to determine the wage fund, the amount of material resources purchased, the amount of depreciation, etc. The classification is based on the principle of economic cost uniformity, regardless of the place of their origin and direction. A necessary condition for the use of these groups is their systematization.

Classification by economic elements is identical to all enterprises irrespective of their size and branch accessory. And therefore, for use in all industrial enterprises, it has to be uniform and obligatory. The model nomenclature was presented in "The provision on structure of the expenses included in product cost" the 1996th year. [42]

Grouping costs by economic elements does not show the purpose and purpose of production costs, their connection with production results and expediency does not allow calculating the unit cost of production, its purpose is to determine the cost of producing the entire volume of products. Therefore, for cost management, for organizing control over the use of enterprise resources, determining the planned and actual unit cost of production and determining how many resources were spent in which areas used costing items of expenditure

The grouping by calculation items is of an industry nature. The grouping of costs according to calculation items in the in-house management is connected with the organizational and technical features of production, determines the organization of analytical accounting of costs in a construction organization and is intended for costing for individual products and their groups.

In the oil industry, the nomenclature of calculation items used at a certain level differs from the calculation items used in other industries. This is due to the peculiarities of technological processes.

Cost groupings by economic elements and pricing items are complementary. In cost management, it is desirable to apply both groups. In small enterprises with simple production and production of homogeneous products, these groups may coincide.

In relation to the technological process costs are divided into ***basic and overhead.***

Basic - are costs that are directly related to the process. These include raw materials and materials for the manufacture of products, fuel and energy for technological purposes, the wages of production workers, the cost of maintaining and operating machinery and equipment, depreciation of production equipment, etc.

Overhead - are costs associated with the management of production and the organization as a whole. These include the salaries of the management personnel of the production departments and organizations, the cost of lighting and heating

of the production and management departments, depreciation of buildings, structures, household equipment, office expenses, costs of postal services, etc.

Depending on the method of inclusion in the cost of production costs are divided into ***direct and indirect***.

Direct costs are directly related to the manufacture of a certain type of product, so as they are implemented on the basis of primary documents, they can be directly included in the cost of this product. Direct costs include raw materials and materials for production, fuel and energy for technological purposes, wages of production workers, deductions for social insurance against wages of production workers.But at the same time, a number of costs should not be attributed to the production of a particular product.

Indirect costs associated with the manufacture of several types of products. These expenses are accounted for by their places of origin during the month, at the end of the month they are distributed among the types of products in proportion to the selected base and are included in the cost of specific types of products. Indirect costs include the costs of equipment maintenance and repair, the costs of lighting and heating, the wages of management personnel, social security contributions from wages of management personnel, etc.

The compositions of the costs are divided into ***single-element and complex.***

The expenses consisting of one element are called single-element — materials, salary, depreciation, etc.These costs, regardless of their place of origin and purpose, are not divided into various components.

Complex are called costs consisting of several elements, for example, shop and works general expenses, which include the salaries of relevant personnel, depreciation of buildings and other single-element costs.

For participation in the process of production and product sales costs are divided into production and non-production costs. Production costs associated with the main activity of the enterprise, i.e. This is the cost of production.

Production costs are included in the cost of works of the calendar period to which they relate regardless of the time of their occurrence. To this end, the cost of the work is divided into:

• current, i.e. fixed production costs;

• one-time, i.e. single or periodically produced.

The exact separation of production costs into current and one-time is important for calculating monthly expenses and fully complies with international principles.

In relation to the volume of production costs are divided into ***fixed*** and ***variable*** costs.

Semi-fixed costs do not depend on the volume of production in the reporting period. The fixed costs include: rental of premises, utilities, office and household expenses, salaries of administrative and management personnel with extra budgetary funds, fixed taxes (on property).

Semi-variable costs are expenses that vary in direct proportion in accordance with an increase or decrease in the volume of services provided.

Variable costs include expenditures on consumables, components, electricity and water consumed in the course of core business, transportation costs, salaries of key personnel, extra budgetary funds with variable wages, taxes accrued on the financial results of the enterprise. [5, p. 29]

The division of costs into fixed and variable at a certain level is conditional, since it is impossible to draw clear boundaries between them. Semi-variable and semi-fixed costs are called because some expenses in certain situations can move from one category to another. [7, p. 60]

There are the following types of conditionally variable costs - ***proportional, digressive, regressive, repair, flexible.*** [18, p. 140]

Proportional, which vary in the same proportion as the volume of production. Progressive costs - costs, the increase of which is ahead of the growth rate of

production. As a rule, they arise during non-rhythmic work of an enterprise due to an increase in the marriage, idle time, and overtime pay.

Digressive - grow slower than the volume of production. For example, technological energy and fuel.

Regressive - with an increase in production decline. For example, fixed costs per item. With the release of more products, the costs per unit of production are reduced.

Repair - with an increase in production, they remain at the same level for some time.

Flexible - best suited to market conditions. In different production volumes, they can behave as proportional, progressive or regressive costs.

In the conditions of market relations, in the international practice of management accounting, there is also a different classification of costs - depending on the management decision - dependent and independent.

In my opinion, it is very difficult to categorize costs by all parameters at one time. Signs of classification must comply with the goals. Responsibility centers are separate structural subdivisions of the organization, designed for rationing, planning, and accounting for the expenses of an enterprise for the purpose of primary monitoring, control, and operational cost management at each stage of the production process. At the head of such a center is a leader who has a direct impact on the results of this activity and is responsible for them. Responsibility centers for the production process are divided into basic and functional, and in relation to the on-farm mechanism - into self-supporting and analytical ones.

Cost centers are primary production and service units characterized by the uniformity of functions and production operations, comparable to the level of technical equipment and work organization, their focus on costs are distinguished as an object of planning and cost accounting in order to detail costs. They are distinguished as an object of planning and cost accounting in order to detail costs, strengthen control, and improve calculation accuracy.

Creating a set of cost centers allows you to more accurately ensure the distribution of indirect costs among the objects of calculation, first of all, to relate the costs of maintenance and use of machinery and equipment to the analytical accounts of such centers.

The enterprises of the oil industry mainly use the traditional classification of costs according to economic elements and calculation items. This meets all the requirements of planning and cost control, calculating the total cost of production, but is not sufficient to obtain the necessary information about costs for making management decisions. Therefore, in my opinion, in addition to this classification, it is also necessary to apply a classification that corresponds to the conditions of market relations. Especially the use of grouping costs in relation to the volume of production for fixed and variable, when studying the relationship between costs, production and profit allows you to calculate the break-even point of production volume.

# 2 - FORMATION OF A MANAGEMENT ACCOUNTING SYSTEM AT AN OIL AND GAS ENTERPRISE.

## 2.1. Issues of management accounting based on the technical and economic features of oil and gas production.

Statement of management accounting is based on the nature of production, the features of its organization and the role of individual structural units of the enterprise in the production process.

The oil refinery is a set of basic oil technological processes, as well as ancillary and maintenance services, ensuring the normal functioning of the enterprise. Its main purpose is the production of high-quality petroleum products and raw materials for petrochemistry required in the volume and assortment.

Production processes in various fields of the oil and gas industry, being complex and multifaceted, differ in function, purposefulness, in terms of mechanization and automation, as well as in organization methodology, etc.

In the oil and gas industry in relation to the production of production processes are divided into primary and secondary.

The main processes are the exploration of gas and oil fields, the search for points for wells, the drilling of wells, the extraction, processing and transportation of gas and oil. Auxiliary processes are processes that serve the extraction of main products.

The process of extracting oil and gas is fundamentally different from both the refining process and the process of extracting other minerals. The reason for this is the features of the natural geological nature of the processing gas and oil fields. Oil and gas production involves industrial production, the subject of labor of which is oil and gas reservoirs, and finished products - raw oil, gas and gas condensate.

With the location of oil-rich reservoirs in a considerable depth, the object of labor is influenced by special wells - the means of labor. This, in turn, leads to a change in the parameters of underground and surface technologies, the need for repair of wells, and the conduct of systematic exploration.

The organization of prospecting, exploration and processing of oil and gas deposits is a multi-stage and complex process. In connection with the natural and technological features of oil and gas production, the following features can be noted that affect accounting and the organization and method of costing in this type of industry:

First, the remoteness of the object of labor (oil and gas deposits) from the worker. The worker does not have direct access to it, but acts on it from the surface through oil wells.

Secondly, oil from the reservoir enters the well under the action of the hydrodynamic forces of the reservoir itself. But as the oil is extracted from the reservoir, its hydrodynamic forces weaken, the reservoir pressure drops, and the flow of oil into the well decreases. In order to prevent the decline of pressure in the reservoirs, water or gas is pumped into the oil-bearing formation through injection wells.

Thirdly, oil production is distinguished by its high energy intensity. The rise of oil from wells to the surface requires large power consumption. The large proportion of these costs makes it necessary to include in the nomenclature of costing items a separate article to account for the energy costs of oil recovery.

Fourthly, the territorial dispersion of the main production facilities of the main production — oil and gas wells — is scattered throughout the territory.

Fifth, due to the fact that the production of oil wells is a heterogeneous system - a complex, sometimes difficult to separate mixture of oil, gas, water and mechanical impurities. This mixture is unsuitable for processing. It must be subjected to technological preparation: dehydration, desalting and stabilization. The cost of technology training should be accounted for separately.

In an oil-producing organization, full accounting of production costs and the calculation of production costs is carried out for the following cost items:

I) Energy costs for oil recovery;

II) Expenses for artificial impact on reservoirs;

III) the cost of labor of workers employed in the main production;

IV) social insurance contributions;

V) the cost of collecting and transporting gas and oil;

VI) The cost of technological preparation of oil;

VII) Costs of mastering and preparing production;

a) the cost of additional exploration of deposits accepted for operation

VIII) the costs of maintenance and operation of wells and equipment;

a) surface and underground well equipment,

b) the cost of materials necessary to maintain equipment in working condition, etc.

IX) Deductions for the reproduction of the mineral resource base.

X) Payment for the use of underground resources.

XI) Costs of workshops.

XII) General field expenses. The costs of enterprise management and organization of production.

XIII) Other production costs.

a) payment for compulsory insurance of property of the composition of production assets

b) payment for the use of land, the cost of reclamation;

c) amounts paid for environmental pollution in excess of the established norms.

Directly (directly related to the signs) to the debit account "Production costs" include:

1) Expenses for labor remuneration of workers employed in the main production, and social insurance contributions (Article III-IV)

2) Depreciation of wells (V article)

3) Deductions for the reproduction of the mineral resource base (X article),

4) Payment for the use of underground resources (XI article).

Other costs of oil and gas production are first recorded in the accounts of the shop and intra shop departments of the main and auxiliary production, then they are written off to the subaccounts of the corresponding cost item of the Main Production (Production costs).

Due to the need to distribute the costs on the “Primary production” account between oil, associated gas and natural gas, a certain distribution method must be used, based on certain coefficients, proportionally to different indicators. These indicators include:

1. Total oil and gas production in tons
2. Total oil and gas produced in tons
3. Total oil and natural gas production in tons
4. Natural gas and associated gas for every 1000 m3,
5. By the number of months / wells in the accounts,
6. Total mining costs minus exploration expenses.

Signs of such costs fully include:

A) for oil:

– Costs of lifting oil,

– Expenses for artificial effects on reservoirs,

Costs for the collection, preservation and intra-production transportation of oil,

– The cost of technological processing of oil,

– Costs for underground repair of wells,

Deductions for oil exploration,

– Payment for the use of underground resources.

B) for associated gas:

– Payment for the use of underground resources.

C) for natural gas:

– Depreciation of gas wells,

– Deductions for gas exploration,

– Payment for the use of underground resources.

Accounting of production costs and calculation of the real cost of oil and gas production, corresponding to the distribution method of costing of an industrial product.

The main purpose of cost accounting is the timely and correct calculation of cost, determination of the actual production costs for certain types of products, the establishment of control over costs at all stages of the technological process.

The specificity of oil production requires special attention to the organization of the accounting of production costs for the operational and strict control of their individual elements, the identification of unreasonable deviations of costs from standards (limits), analysis and planning of the structure of production costs.

## 2.2. Accounting for material costs and the organization of control over them.

One of the important elements of production costs are material costs. The oil industry, especially the offshore part, is a major consumer of fuel and energy resources and metal products. For oil production, deep-well sucker-rod pumps, lifting mechanisms, pump compressors, drilling equipment, tools, spare parts, pipes and other means are widely used.

In offshore oil production, the share of material costs in the total cost of production is 35%. As a result, oil and gas enterprises pay great attention to organizing the accounting of material costs. The composition of material costs for the oil and gas industry is defined in the “Provision on the composition of costs included in the cost of production in oil and gas production”. [23]

In oil and gas companies material costs are grouped according to the following:

1. Raw materials, including deductions for the reproduction of the mineral resource base;

2. Fuel;

3. Energy.

Raw materials and material costs include:

– acquired from the side of the materials that are part of the product, forming its basis, or are a necessary component in the manufacture of products;

– purchased materials used in the production process to ensure a normal technological process;

– tools, devices, laboratory equipment, inventory, special clothes, and other assets that are not depreciable;

Fuel costs are purchased from all types of fuel, used for technological purposes, the production of all types of energy, heating of buildings, for the activities of a motor vehicle fleet, etc.

Energy costs include purchased energy of all kinds spent on technological, energy, motor and other industrial and economic needs of the enterprise.

Electric energy, steam, water, compressed gas and other types of energy resources produced by the Oil and Gas Production Directorate, as well as the costs of transportation and transformation of energy resources acquired from the side are not included in the cost of the resources purchased and are reflected in the corresponding cost elements.

The consumption rate of wealth is calculated using the following methods:

– calculated and analytical;

– experimental;

– reporting and statistical.

*The computational and analytical method* of rationing materials is the most progressive, scientifically grounded method of developing standards. With this method, the consumption rates are determined on the basis of an analysis of the dynamics of the reported indicators of specific expenses for a number of previous years and an extrapolation of the current trend of changes in these expenses for the planned period.

*Experimental method* determines the norms based on the experimental data obtained in real-world conditions. In other words, it is a way of developing individual norms for the consumption of raw materials, materials, fuel and energy, based on measurements of their consumption and production volumes (works) in laboratory and pilot production conditions.

*The reporting-statistical method* consists in the fact that the norms of costs of production resources are established on the basis of reporting or statistical data for the past period. This method is resorted to if the application of the first two methods is impossible.

In my case under study, the cost of tangible assets reflected on the item "Material costs" includes the purchase price, the amount of surcharges and commissions, and the cost of brokerage services on stock exchanges, payment for transportation, storage and delivery by third parties.

When determining the amount of expenses for the item "material costs" from the cost of the spent material resources it is necessary to exclude the cost of returnable waste. Returnable waste - the remnants of material resources, formed in the process of production and lost all or part of their consumer properties. Returnable waste does not include remnants of material resources transferred to other workshops in accordance with the process. If returnable waste is recognized by the organization as a valuable raw material that can be used for selling to third-party organizations, then they are evaluated at the full actual cost of specific material values. In other cases, returnable waste must be valued at market prices.

The company should organize control and accurate accounting of the use of such material values for this cost element. It is advisable to carry out frequent inventories, measures to control the safety and actual availability of material values. To ensure the organization of such accounting, which meets the requirements of our day, it is necessary to create synthetic accounting of materials on the basis of international standards.

Under the “Law on Accounting” of the Republic of Azerbaijan and the New Chart of Accounts and instructions for its use, enterprises must take into account the material values received from production and released into production according to their actual cost of acquisition.

For the current assessment of the movement of material values, prices are applied from the price nomenclature compiled within the enterprise on the basis of market conjuncture. The difference between the planned and actual cost of the acquisition at the end of each month is deducted from the account 15 "Preparation and acquisition of material values" (201 "Inventories") on debit or credit of account 16 "Deviation in the value of material values" (208 "Adjustments due to a decrease in the value of inventories"). Writing off this difference at the end of each month helps to determine the price of materials used in production and remaining in the warehouses relative to their discount price. But this method does not justify itself in terms of inflation. According to A.G. Gryaznova and S.B. Barnholtsa, in terms of inflation, the write-off of material values into production should be reflected not at procurement prices, but at prices of a batch of materials specified in contracts with the supplier. [26, p. 48]

In my opinion, in the conditions of constant changes in the prices of materials, this method is sufficiently and logically justified.

Provided in the “Accounting Law” of IFRS 2 "Inventories" offers an assessment of production inventories for one of the following methods of assessment - FIFO, weighted average cost method and LIFO.

The weighted average cost method is a method of estimating the value of reserves, according to which the average cost of a unit of reserves is recalculated by dividing the cost of reserves by the beginning of the period plus the cost of receipts for the period by the total number of units. as it requires a lot of labor and time, and, consequently, a lot of costs for its application.

*The LIFO method* is based on the assumption that the production of the latest purchases of the last time. The method is based on the assumption that all goods

purchased during the period can be released into production regardless of the date of their purchase. In the face of rising prices for the LIFO method, an accountant will first of all take into account modern and, therefore, more expensive inventories. Accordingly, the material costs in the cost of goods sold will be overestimated, and the profit - underestimated.

*The FIFO method* is a write-off at the cost of the first stocks to be purchased. The method assumes that the stocks bought or produced first will be the first and sold, and therefore the stocks that remained at the end of the period were previously bought or produced. According to the method, stocks at the end of the period are valued at the cost of recent purchases. During the period of rising prices, the FIFO method gives the highest net profit from all methods. Due to the fact that when drawing up a balance sheet using the FIFO method, the cost of inventories available at the end of the reporting period is closer to current prices on the market, the FIFO method is the most profitable and favorable for use.

Accounting for material costs in the oil and gas industry has its own characteristics:

First of all, the main part of the cost element of raw materials and basic materials is the sum of deductions for geological exploration for the reproduction of the mineral resource base. In addition, it is impossible to control the increase or decrease in the volume of such deductions. Deductions for exploration are directly proportional to the production of oil and gas.

The next feature is that losses during processing, storage and transportation of oil as a cost item are included in the cost of production at the price of the actual cost of oil of the previous reporting period.

Another feature is the fact that the price of gas produced inside the enterprise, which is used in compressor and uncompressed gas lifts, as well as for maintaining pressure in the reservoirs, is included in the energy costs.

As a final feature of the acquisition and consumption of materials, it is possible to use the use of sea and air transports to supply materials located on the seas of workshops and control centers. The costs of transporting components and fuel by such means of transport occupy a considerable weight in the overall composition of material costs. As a consequence, attentive cost control is also required. First of all, you need to make the most of the carrying capacity of vehicles. Conducting operations should be accompanied by acts on the release of materials from the warehouse and their receipt. You should look for reserves to reduce the time for the process of loading and unloading materials.

## 2.3. Accounting for labor costs and organization of control over them.

Labor costs are considered the second element of the cost of production of the oil and gas industry after the cost of materials. In the composition of all costs of the Production Association "Azneft" they make up 3.52 - 2.11%.

Remuneration is a system of relations connected with ensuring that an employer establishes and makes payments to employees for their work in accordance with laws, other regulatory legal acts, collective agreements, agreements and labor contracts.

Wages - remuneration for work, depending on the qualifications of the employee, complexity, quantity, quality and conditions of work, as well as compensation payments and incentive payments.

The application of the principles of wage regulation in the oil and gas production should solve the following problems:

– Improving the accounting of labor and its approximation to the accounting of material costs;

– Organization of systems and forms of remuneration according to the laws of a market economy;

– Development of a mechanism for differentiating wages depending on the qualifications and level of labor invested in the final result of the unit;

Monetary maintenance of employees and workers consists of the salary, in accordance with the employment contract, the allowances to the salary for the qualification category, for special working conditions, bonuses for the results of work. The amount of remuneration largely depends on the form of remuneration. The main of them include time-based and piece-rate.

With time-based - earnings are determined by the skill level of the worker and the time worked and does not depend on the amount of work performed. It is used in cases where it is impossible to accurately determine and assess the amount of work performed by workers.

In the piece-rate form, labor is paid depending on the quantity of produced products, and the earnings are determined by multiplying the piece-rates for the corresponding volume of work performed or the output. This form is the most progressive, expresses the principle of material interest.

All considered forms of piecework payment can be individual and collective. Individual is used where an individual worker is provided with the scope of work that can be rationed and recorded.

With direct individual piecework wages, the worker's earnings change in direct proportion to the quantity of products produced, i.e., the worker's work is paid at a fixed rate per unit of output. In brigade form, drilling crews, underground repair teams, and equipment testing brigades are paid productivity wells, etc.

The main direction of improving the remuneration system in the oil and gas industry can be the organization of labor and its payment in a collective way, creating mechanisms for material incentives.

The number of working hours produced by each watch is indicated in the payment card of each watch. Accounting is based on records of the daily report

of the master. In addition to the number of standard hours performed by the watch, the settlement card also shows the actual time spent on piecework and time jobs and downtime. The watch's earnings among its members are distributed in proportion to the piece-rate tariffs and piecework hours worked.

The proliferation of brigades necessitated the stimulating role of labor remuneration to each working brigade, depending on his personal contribution to the result of collective labor. The most common method is the distribution of bonuses, taking into account labor participation. The measure of such a contribution is the labor participation ratio - LPR.

LPR is a generalized assessment of the labor contribution of each member of a brigade depending on his labor productivity and quality of work, production and social activity. The LPR is established by the brigade's council to each worker over the past month depending on the labor input in the final result of the work of the whole team.

The factors that increase LPR, include:

• high personal output with good quality work;

• introduction of measures to increase labor productivity;

• assisting other workers in work, mentoring

• combination of professions, labor discipline, etc.

The factors reducing LPR include:

• failure to comply with the development rate;

• violation of technological discipline, safety;

• failure to comply with the orders of the master, foreman;

• violation of labor discipline;

The wages of the brigade, paid according to the results of the work of the team and distributed using LPRs, include: piece-rate extra earnings and bonuses for fulfilling the established volume in the planned period and in a given nomenclature, for high quality of work (products), for reducing labor and material and energy costs etc.

The bonus system for drilling crews is intended to interest them in reducing the length of the drilling and development cycle, therefore, to increase oil and gas production and to provide high-quality well service. Indicators, basic and additional conditions for bonus payments to workers of the main production in oil production are established by professions and groups of workers. Thus, indicators of bonus payments to operators of oil and gas production can be:

• fulfillment and overfulfilment of the plan for oil and gas production;

• fulfillment and overfulfilment of the task for oil and gas production by a group of assigned wells;

• performance of standardized tasks for well servicing.

Management, specialists and employees of drilling, oil and gas producers are rewarded only from the material incentive fund, formed from profits. Indicators and conditions for awarding these categories of employees should be financially interested in their fulfillment and over-fulfillment of the final indicators of the activities of enterprises as a whole or of its individual subdivisions.

If you pay attention to the experience of using LPR in recent years, you can come to the conclusion that specific work should be carried out to address the emerging economic, social and psychological problems.

The causes of such problems are the following disadvantages:

1) a significant part of the indicators affecting LPR, as a rule, is subjective, which can lead to inadequate assessments;

2) a significant dependence of the brigade members on the brigadier and on his attitude;

3) a certain interest of the brigade in absenteeism, since for a truant, KTU and earnings are reduced, while for other members of the brigade they are on the rise.

In my opinion, it is very difficult to choose and research a more profitable method of distribution according to the LPR method. Taking into account all the negative features of the method, it is recommended to abandon the use of LPRs

altogether, and to determine the earnings of each team member, it is proposed to use the indicator of "productive" or hours worked. The application of this method will lead to the direct use of the actual time worked by each working team to perform a particular job or task.

Workplace maintenance time is the time spent by an employee to care for the workplace, equipment and maintain the workplace in a condition that ensures productive work during a shift or other working period. This time can be monitored and measured using personal cards.

Thus, working time is less than servicing a workplace consisting of replacements, corresponding breaks in the adopted work schedule, activities for getting a job, getting and proper preparation of materials, tools, studying technical documentation, handing over products made by an employee.

Due to the fact that the time worked is constantly recorded, in order to calculate the cost of the work done, it is necessary to determine the cost of the hour worked.

The cost of hours worked depending on the level of qualification is determined on the basis of the established salaries of all categories of workers.

I.e:

$$Cost\ per\ hour\ = \frac{Total\ salary}{Total\ spent\ hours}$$

To account for the time spent by the brigade, use the timesheet. (Appendix 2). It shows the time and results of the accrued payments worked out for each month. Thus, an important condition for improving the labor remuneration system in the oil and gas industry can be the transition to hourly wages.

In addition, the collective bonuses used in the system of time-premium or piece-rate-bonus wages, that is, forms of collective bonuses for monthly

economic results, ready-made results, for long-term experience, etc. they do not allow to correctly evaluate labor under the conditions of a market economy and this, in turn, negatively affects labor relations.

In the new system, it is recommended to classify groups by type of activity by type of management, by scope and complexity of work, and determine payment rates for managers and engineering and technical workers of the unit. Under the new system, the official (tariff) salary and allowances for seniority do not depend on the results of economic activity. An employer can assign a bonus in the amount of a salary wage to a worker with a higher working ability index, which allows him to stimulate the worker and properly evaluate his work. .

Salaries of workers in oil and gas workshops, divisions of monitoring, evaluation and monitoring of wells, service personnel for measuring equipment, oil and gas production from wells, the department for measuring and controlling pressure in pipelines, the formation, installation of cartograms and other workers of main production and are reflected in the article "Costs of production workers."

## 2.4. Accounting for management costs and maintenance costs of production.

Increasing the company's supply of equipment, complicating the function of production management, increasing the weight of fixed assets contribute to an increase in the cost of servicing production and its management.

The costs of servicing production and its management, as part of the composition of the cost of products manufactured in the enterprise in monetary form, are considered as one of the important indicators for assessing the economic efficiency of production of the economic and financial activity of the enterprise. This includes the costs of maintenance and operation of machinery and equipment, overhead and general business expenses.

Overhead costs - combine the costs of maintenance and operation of machinery and equipment, and the costs of other workshops. General expenses typically include the cost of managing the entire enterprise, maintenance of production and the costs of its organization.

The expenses for the management and maintenance of oil and gas production include expenses for the maintenance and operation of wells and equipment, general production and general business expenses. They are considered independent complex articles in the cost of production.

The costs of maintenance and operation of wells and equipment include costs associated with the maintenance and operation of surface and underground equipment of oil, gas, appraisal, monitoring and control wells, as well as the following:

1. The cost of installed and replaceable for the first time sucker rod pumps;

2. Tubing, sucker rods and the cost of lowering and raising the electric drill centrifugal pumps in the well;

3. Rod pumps, electric drill centrifugal pumps, changing the depths of lift pipes, removing paraffin and sand plugs, washing the bottom of wells, their perforation, as well as the costs associated with other work arising from the repair of underground wells;

General production expenses consist of the expenses of the administrative and economic staff, or the remuneration of workers of their similar structural units, the costs of general-purpose buildings, the costs of maintaining facilities and equipment, the costs of labor protection and technical safety, including other expenses related to production services and manage it. In addition to the above, workshop expenses include loss expenses due to production downtime, damage to material values, non-production costs, and loss of shop purpose.

The improvement of cost accounting for maintenance and production management should be aimed at determining the range of costs that meets the requirements of economic management and scientific justification; the

development of a more optimal method of distributing these costs between types of products and ensuring more effective control over their level. In addition to optimizing the composition of cost components and costing items, the nomenclature of analytical accounting of costs for maintenance and production management is also required.

First of all, it is advisable to exclude losses from downtime, damage to materials in the warehouses of workshops, natural decline in materials and products long-term storage in the company's warehouses from the cost of maintenance and production management and general expenses. In these cases, if the perpetrators of the losses are not found, these costs are written off to the profit and loss account.

It should also be noted that the planning, accounting and distribution of the costs of maintenance and production management are not performed at a high level. For the control of general production and general expenses for each of their type are planned estimates with the division into articles; analyze the costs of items, guided by the established nomenclature; actual costs are compared with estimated costs and reveal deviations.

Depreciation deductions are made during the entire useful life of the asset, it can be suspended if the facility is under reconstruction or modernization by decision of the head of the organization and transfer of the facility to conservation for a period of more than 3 months.

The use of the straight-line depreciation method in the oil and gas industry, in our opinion, is not considered appropriate. First of all, this is connected with the modern high rate of development of science - every year new equipment for the oil and gas industry comes to the market, and this in turn leads to the obsolescence of the fixed capital. And secondly, the rate of return of equipment decreases rapidly with time. Therefore, it is proposed to use the progressive method of depreciation.

The given case plays an increasing role in the period when the individual elements of the Direct-costing system began to be used in the studied industry.

The basis of the Direct-costing system is a division of all costs of an enterprise into two parts: product costs and recurring costs. The costs of products include costs directly related to the production of products, their quantity depends on the volume of production. For this reason, they are considered variable costs.

The amount of recurring costs depends on the length of the reporting period. When the production volume changes, these costs do not change and therefore, in essence, they reflect fixed costs. In addition, it should be noted that the proportion of fixed costs in the unit cost of production depends on the volume of production. This can be clearly seen in the following table:

**Table 4**. **The level of change in the share of fixed costs in the unit cost of production (in manats).**

| | Volume of production(in tons) | | | | |
|---|---|---|---|---|---|
| | **100** | **200** | **300** | **400** | **500** |
| Percentage of variable costs per unit | 40 | 40 | 40 | 40 | 40 |
| The share of fixed costs per unit of production | 20 | 10 | 6,6 | 5 | 4 |
| Unit cost | 60 | 50 | 46,6 | 45 | 44 |

Thus, a study of the current state of costs for maintenance and production management shows that the accounting method used does not provide operational control over the formation of these costs.

In my opinion, the above recommendations will increase the similarity of accounting for fixed costs; create conditions for the deepening of their analysis,

the organization of effective control, including the adoption of economically sound management decisions.

# 3 - DIRECTIONS FOR IMPROVING MANAGEMENT ACCOUNTING.

## 3.1. Accounting for costs for responsibility centers and control over them.

The current accounting system for manufacturing costs in the areas of development and improvement does not meet modern management requirements at an appropriate level. This is explained by the fact that the current production cost accounting method determines, according to concentration, the costs of the origin places as a whole.The costs of the relevant resource type are grouped together in the method of incorporating them into the cost of manufacture. In this case, most computational items are complex, covering the cost of different types of replacement resources.

Deficiencies in the accounting of production costs lead to a sharp decrease in liability not just in the costing process, but also in the volume of production and use of stocks. This is due to the fact that the responsibility for the above is not specified.

Because the production process in oil and gas businesses is being carried out in closed technology, the importance of rational use of stocks increases, which requires adequate responsibility specifications in rational use of equipment and machinery, stocks, appropriate labor management and increased productivity. In the present conditions of use of production capacity it is thus necessary to change the approach to the formation of the sphere of responsibility.

Responsibility management should be established for inventory management, consumption and rational use, that is, it should be defined and

included in the content of the work and functional positions of management personnel, specialists, foremen and workers. This is an objective necessity and is only done provided that information is available on each service sector, production unit, and costs depending on the various employees at centers and cost centres.

The concept of production cost accounting is widely spread throughout the centers of responsibility at present in the development of the economy.

Cost centers are also an important cost accounting entity. These are the main production and service units, which are characterized by their uniform functions and production, technical equipment and work organisation, and cost orientation.

The concepts of "place" and "center" costs are unbalanced. In accounting theory, the limits of the center of origin and cost center are not defined clearly. The cost center can be considered as a set of primary manufacturing cost centres.They coincide, in case of impossibility or inexpediency of a more detailed division of costs.

Cost centers are identified as an object of accounting for more detailed costs, enhance control of expenditure and improve the accuracy of calculation. A cost center as an object of accounting allows not only to group costs, to provide control and other management functions, a fairly highly informative analytical accounting system is built around cost centers.

Some authors share the concept of ' cost center ' and ' cost centre, ' other authors don't see a significant difference, and others think it can coincide as accounting objects. [20, 30, 31]

B. Ivashkevich appoints workshops, sites, brigades to the cost centers, and equipment centers, machines, and jobs. He considers the entire number of primary centers as a cost centre. [15, p. 120]

Cost centers are primary production and service units, distinguished by the uniformity of functions and production operations, the level of technical equipment and work organization, and cost orientation. Cost centers are singled

out as an object of accounting for the purpose of more detailed expenditures, strengthening control over expenses and improving calculation accuracy. In this definition, given the classification signs of cost centers. The latter in relation to the production process as the cost centers are divided into production, service and conditional. [33, p. 113]

A cost center is a department or production unit where there is a consumption of resources and it is possible to accumulate corresponding costs. Production cost center is limited in size in accordance with the method of allocation of overhead costs to the order. It is limited by the maximum area that can be fairly allocated for it, based on a single measure of business activity, for example, the number of man-hours, wage costs for production workers who fulfill the order.

In general, the cost centers serve as places of cost, but in terms of grouping goals and objects which are signs of such a cluster, they differ from them in terms of grouping objectives and the characteristics of objects that are signs of such grouping.

According to the author says that under the cost centre, the detailed grouping of costs must be understood to enable the management functions to be performed effectively. This may be a structural unit, the type of a particular product being produced or a part of it, a separate cost item, a technological process, a separate operation, an activity. Grouping costs for them allows you to have complete information on both the costs and the factors affecting them. The choice of cost center depends on the importance of the problems being solved in the organization and determines the model of analytical cost accounting.

Creating a set of cost centers in the accounting system of the organization really enhances cost control and reduces the proportion of indirectly distributed to the objects of calculation, which increases the accuracy of calculation.

In the formation of the organization’s information system, the allocation of cost centers with the current level of automation and computer support does not increase the complexity of the accounting process. For management,

opportunities for obtaining useful additional information about costs are being expanded. The study of costs, grouped by cost centers by statistical methods, allows to identify factors affecting the magnitude and behavior of costs, to establish trends characteristic of individual cost centers that are not significant for others. When choosing the cost centers of the types of manufactured products, a unity of analytical cost accounting with the cost calculation process is achieved. If the cost centers selected processes, operations of the process, then as a result of grouping costs, effective control over costs, quality of operations performed and coordination of participants in the process is carried out. Here you can determine the compliance of the accepted norms of consumption of raw materials, materials, energy with the established standards for production. Identify deviations of actual consumption from current rates and establish the causes of deviations. “Narrow” or, say, “weak” places in technology, equipment, organization and motivation, mode of operation and in accordance with the qualification level of personnel required by the standards are found out. Thus, cost centers as an object of accounting play an important role in managing production costs.

The idea of cost accounting for responsibility centers arose from the need to improve intra-company management. Accounting by responsibility centers is a system of reflection, processing, control of planned and actual information at the entrance and exit of the responsibility center. The basic concept of this system is the concept of cost center. A cost center is an organizational unit where it is advisable to accumulate information on the costs of acquiring assets (incoming costs) and expenses (outgoing costs). The most important feature of the cost accounting system for responsibility centers is that the effectiveness of the work of each individual manager is evaluated by the results achieved at the site for which he is responsible. For example, the head of the shop cannot set the salary of the director of the enterprise, and therefore part of the associated costs in his shop do not include.

Accounting and analysis by responsibility centers is a system that measures the compliance of the achieved results with the planned for each department, which is an independent object of the budget process and is responsible for executing the list of budget indicators determined by the central management apparatus during the development consolidated plan of the enterprise for the upcoming budget period. Due to the specification of delegation of authority to a division, which actually determine its status as a center of responsibility, any deviations from planned targets are recorded not only by the place of origin, but also by the responsible person . The concept of accounting analysis by centers of responsibility provides for the application to various departments of an enterprise of various objective functions that most effectively stimulate these departments in the economic activity of an enterprise.

It should be noted that the various units in the enterprise differ in their "degrees of freedom", that is, in the powers of the heads of departments in their operational work. Thus, the head of the production department, as a rule, has the right to independently determine the size and structure of unit costs for the production of certain types of products, while the structure and value of output are established and tightly controlled by the management apparatus in the face of economic planning. If the workshop is transferred to cost accounting (this happens in cases where the functions of the workshop fully cover the entire production cycle for a particular type of product), then the authority of the manager is significantly expanded. He obtains the right to independently set the volumes of output within certain limits, and the estimated indicator of the workshop's activity will no longer be the level of unit costs, but the calculated profit, defined as the difference between the estimated revenue for the output and the actual cost of production. [20, p. 16]

Cost management for responsibility centers is carried out mainly in large enterprises.

The division of the enterprise into responsibility centers allows you to:

1. use specific methods of cost management, taking into account the characteristics of the activities of each unit of the enterprise;

2. link the cost management with the organizational structure of the enterprise;

3. to decentralize cost management, implementing it at all levels of management;

4. to establish those responsible for the occurrence of costs, revenues, profits.

The characteristic features of a cost management system for responsibility centers are as follows:

• determining the scope of authority and responsibility of each manager: the manager is responsible only for those indicators that he can control;

• personalization of internal reporting documents;

• participation of managers of responsibility centers in preparing reports for the past period and plans for the upcoming period. The choice of a way of division of the enterprise into the centers of responsibility is defined by specifics of a concrete situation, at the same time it is necessary to consider the following requirements:

• in each center of responsibility there should be an indicator for measuring the volume of activity and a basis for the allocation of costs;

• the responsible person should be at the head of the responsibility center - manager;

• it is necessary to clearly define the scope of authority and responsibility of the manager of each responsibility center;

• the level of detail of the information should be sufficient for analysis, but not excessive, so that the record keeping is not too laborious;

• it is desirable that for any type of enterprise costs there should be a responsibility center for which these costs are direct;

• since the division of the enterprise into responsibility centers strongly influences the motivation of the leaders of the respective centers, it is necessary to take into account social and psychological factors.

Responsibility centers can be classified according to the following criteria:

• the functions which are carried out by the center of responsibility;

• scope of authority and responsibility.

Compared to other areas, the oil and gas industry has its own peculiarities of the production process. These features and their effects on accounting are given in the second Chapter of the work. From this point of view, it is considered necessary to mention some of them that have a significant impact on the process of organizing the proposed accounting and control system for responsibility centers.

*Firstly*, in mutually complementary technological equipment, various interrelated processes occur at the same time (production, primary transportation of oil, fraction of gas, etc.). At the same time, these processes consist of several stages; they create conditions for the division of responsibility centers and cost centers in accounting.

*Secondly*, due to the fact that material costs and energy costs occupy an important part in the cost of oil and gas production, it is necessary to organize operational control over their level.

*Thirdly*, the basis of the production technology of oil and gas production is technological regulation, which performs the functions of rationing the consumption of material stocks, which accordingly forms the basis of the regulatory framework for planning and accounting. But it should be noted that in the studied production it is unacceptable to save consumption of inventories given the technological regulation in this area, because it leads to a violation of the established conditions and a decrease in product quality.

In oil and gas companies the main production is organized depending on the type of production and the technology used. Auxiliary production is organized

taking into account the peculiarities of production activities and specializes depending on the types of services provided. At this time, subdivided in the following areas: workshop of underground and work over of wells; rolling and repair workshop operational equipment; rental and repair shop of electrical equipment; motor transport shop; workshop of production automation, etc. act independently.

The organization of a comprehensive service of the administrative apparatus creates the conditions for the full implementation of the complex of internal relations of production. The management service, including accounting, consists of management units.

In oil and gas companies, the efficiency of cost accounting for responsibility centers and their control is primarily determined by the establishment of effective standards for the consumption of material stocks.

In the oil and gas companies, the valuation of costs for raw materials, semi-finished products of own production and other material resources plays an important role due to the high material intensity of enterprises of this kind. Here, the volume of costs for raw materials and semi-finished products directly depends on the quality characteristics of resources, the method of their production, the organization of production and the technological process, as well as the level of their regulation. [50, p. 77]

Material resources that are rationed in terms of quantity include raw materials and semi-finished products of own production, all types of energy and fuel necessary for technological consumption, all types of auxiliary resources for production purposes, etc.

The main purpose of rationing material resources is to develop evidence-based standards for their consumption. The norms of expenditure of material resources should be economically and technically justified, and reflect best practices and the modern level of organization of production and technology.

It is considered expedient to keep records of rationing and deviations from the norms of production costs for responsibility centers. Unfortunately, due to the methodological difficulties and complexity of technological implementation in general economic and industry literature, very little attention is paid to the organization of the regulatory method for recording responsibility centers in oil and gas producing enterprises.

In the course of the study, the analyzed production, taking into account the features and making certain amendments, identified the possibility of using elements of the standard cost accounting method. As a result, the managerial subject did not accept deviations, but all sorts of reasons for their formation, especially the violation of technological rules, etc.

The cause of deviations, the determination and fixation of the perpetrators are not automatically resolved by applying the standard cost accounting method. First of all, for its operation it is necessary to develop a sustainable mechanism. To this end, a number of tasks should be solved: first of all, to determine in which areas and in what cases deviations arise; secondly, to develop documentation reflecting these deviations, or a reflection of these deviations in the available relevant documents of the enterprise; thirdly, to develop a classification of all kinds of deviations and perpetrators, as well as to develop measures for their elimination; fourth, focus on costing for control in structural units; fifth, to consider the mechanization and automation of accounting work in individual areas.

Thus, the above conditions for the successful functioning of the regulatory cost accounting method include the following:

- determination of the functional responsibility of each shop and area according to the level of production costs and its individual elements;
- analysis of control, deviations and distribution of responsibility for operational and primary accounting;
- primary documentation of deviations in material costs;

- determination of the rules for conducting analysis, control and accounting of deviations revealed in the course of production activities and violation of established standards for production costs;

- rules for the formation of deviations for all types of costs and their further distribution.

All the above conditions should increase the reality and efficiency of determining the causes of the deviation and its perpetrators.

Effective control of production costs requires analyzing not only the total amount of deviations, but also the influence of individual factors. Especially it is necessary to separate the factors influencing management decisions.

The analysis of the activities of oil and gas enterprises allows us to identify two groups of factors deviations from the standards in the process.

The first group is created by objective factors that do not depend on the activities of the main structural units, and are the cause of various kinds of deviations in the course of production activities. This group includes changes in the quality and price of oil produced.

These factors, due to their influence on the increase or decrease in the value of the output, are considered to be expected.

But there are other factors that are directly related to the occurrence of deviations. Their occurrence can be prevented (predicted), skillfully using elements of the normative method. These factors primarily depend on the activities of structural units. Among them, an important role is played by the quality of raw materials and materials sent to the production of oil and gas, as well as compliance in the structural units of technological rules.

The basis for the study of factors influencing the occurrence of deviations is the organization of determining the level of individual elements of production costs and responsibility centers.

The developed system of responsibility centers provides the following:

- urgently identify areas of frequent cost deviations;

- to determine the reasons for the low efficiency and responsibility of a specific manager and official in this;

- analysis of the causes of deviations for making management decisions;

- the study of real and accurate deviations in material and labor costs to eliminate the unreasonable increase in the cost of production.

Thus, it can be firmly said that the concept of cost accounting for responsibility centers is widely distributed today.

## 3.2. Direct costing cost accounting system and oil costing.

In the conditions of developing market relations, the effective management of the production activity of an enterprise increasingly depends on the level of its information support. The current domestic accounting system in many respects still remains taking into account the policy economy and performs the functions of calculating the taxable base. Until now, our enterprises use the cost accounting method, which provides for the accounting and calculation of the total actual unit cost of production (works, services). However, the whole world experience testifies to the efficiency of using the accrual method.

It should be noted that in the oil and gas industry also the basis of accounting for production is the principle of accounting for actual costs.

The purpose of the actual cost accounting system is the subsequent calculation of the cost of production released in the reporting period. Here, costs are grouped by the method of inclusion in the cost of production for direct and indirect costs. Direct costs are calculated directly on the finished product. The total amount of indirect costs is distributed according to the previously selected base and a certain coefficient between the units of finished products.

When calculating the total cost of one of the problems whose solution is required, is the distribution of indirect costs and the choice of the base of their distribution. But due to the fact that with the release of a large range of products,

this system is more labor-intensive and management costs are relatively higher, in general, the system becomes less efficient. The system of accounting for actual costs along with labor-intensiveness also has a number of other significant disadvantages.

The distribution of costs by appointment does not provide for dependence on the dynamics of production volume. Since, with an increase in production, a number of cost elements increases and vice versa, as production decreases, other costs remain constant relative to changes in production. The constant and variable nature of costs is considered a secondary criterion.

Another drawback of the system is considered to be the direction of its accounting, not for the sale process, but for the production process. In this system, the unreasonable inclusion of non-production costs in production costs, and not production costs, becomes the reason for the increase in production costs.

At the beginning of the XX century this method began to be criticized by economists. So, G. Emerson touched on this issue in his book “Labor productivity as the basis of operational work and wages”.

In the chapter concerning cost accounting, the author emphasized the slowness of accounting under this system, as well as the erroneousness of the obtained digital data on cost as a result of “mixing production costs with accompanying costs that do not have even the remotest relation to cost prices”. According to the economist, the main drawback of the “historical” cost accounting is that this record has almost no value as a tool for eliminating losses.

Other disadvantages of cost accounting at actual costs are:

- ✓ non-operational provision of accounting information to management personnel. Data on the cost of products are provided only after a certain time at the end of the period during which the order was executed;
- ✓ in the absence of standards, the only way to use accounting data for the analysis of production efficiency consists in comparing the cost of each

subsequent operation with a similar previous one. It is usually difficult to determine whether the cost of the previous operation was high or not;

- ✓ this system does not create any prerequisites for clear identifying the main factors of production and does not focus the attention of managers on its main shortcomings. The managers cannot delve into all the production details and understand the ratios of the individual figures;
- ✓ cost accounting for this method is time consuming, creates a lot of extra work on the registration of economic facts, and therefore it turns out to be more expensive.

However, the main disadvantage of this method is that, applying it, it is impossible to promptly signal to the administration about the unproductive losses of labor and materials that could be eliminated by taking emergency measures.

Thus, the accounting of actual costs excludes the possibility of operational control over the use of resources, identifying and eliminating the causes of overspending and deficiencies in the organization of production, violations of technological processes, research and mobilization of internal production reserves.

At present, the use of the marginal accounting method, the Direct-Costing accounting system, which is based on calculating the reduced cost of production and determining the marginal income, is widespread in the world.

The essence of the direct costing system is that the cost is taken into account and is planned only in terms of variable costs, i.e. only variable costs are distributed to cost agents. The rest of the costs (fixed costs) are collected on a separate account, are not included in the cost estimate and are periodically charged to financial results, i.e. take into account when calculating profits and losses for the reporting period. In terms of variable costs, stocks are also estimated - residuals of finished products in warehouses and work in progress.

The main ideas of this system were formulated in 1936 by the American economist D.Ch. Harrison. The beginning of practical application of “direct

costing” in the United States is associated with 1953, when the American Association of Accountants published a description of this method. [13, p. 4]

At the first stages of the practical application of the “direct-costing” system, only direct expenses were included in the cost, and all types of indirect costs were written off directly to financial results. Hence the name of the system - Direct-Costing-System (direct cost accounting system).

Later, "direct costing" was transformed into such an accounting system, when the cost is calculated not only in terms of direct variable costs, but also in terms of variable indirect costs. Thus, the fundamental difference of the “direct costing” system from the calculation of the total cost is in relation to the constant overhead costs. When calculating the total cost, they participate in the calculations. Costing at variable costs is a method of cost accounting, in which fixed overhead costs are excluded from production costs.

General expenses are also excluded from the calculation. They are periodic and are fully included in the cost of goods sold the total amount without division into types of products. At the end of the reporting period, such expenses are written off directly to decrease in revenue from product sales.

However, in accordance with International Accounting Standards, the direct costing method is not used for external reporting and tax calculation. It is used in internal accounting for conducting a feasibility study and for making operational management decisions.

"Direct costing" is the subject of controversy among accountants. Its supporters claim that fixed costs are present regardless of whether the plant’s capacity is loaded or not, what products are manufactured for them. They are more supportive of production than they participate in it. Therefore, these costs do not depend on the volume of production and are more closely related to the time period. Therefore, supporters conclude that fixed costs are recurrent and should be immediately written off to sales without including in the cost of production. Proponents of this theory do not argue that fixed costs are not important. They

only emphasize that differences in the behavior of fixed and variable costs are fundamental in making many management decisions.

Opponents of the method of accounting for variable costs prove that without constant costs, production will not be able to function, and therefore the constant component of production costs must be involved in the assessment of reserves. Thus, both variables and fixed costs should be considered as reserve-based.

The use of the “direct costing” system in practice implies a differentiated accounting of general production expenses. They should be divided into constant and variable parts.

The use of the “direct costing” system radically changes not only the concept of calculation applied in the sphere in question, but also approaches to the accounting and calculation of financial results. The scheme for building the income statement (usually two-step) used in this method contains two financial indicators: marginal income (amount of coverage) and profit.

Marginal income is the difference between the proceeds from the sale of products and incomplete cost, calculated at variable costs. The composition of marginal income includes profit and fixed costs of the enterprise. After deducting fixed costs from marginal income, an indicator of operating profit is formed.

As already noted, International Accounting Standards do not allow the use of the direct costing system for external reporting and tax calculation. What then is the practical significance of this system?

First of all, its use allows you to quickly study the relationship between output, costs and income, and therefore, to predict the behavior of cost or certain types of costs when business changes.

In modern conditions, managers must know how much it costs to manufacture certain types of products, regardless of the size of the rent for the premises or what the salary of the director and his assistants is. Therefore, one of the principles of management accounting is the following: the most accurate calculation is not the one that, after numerous and time-consuming calculations,

includes all the costs of the enterprise, but the one into which the costs are included that directly ensure the production of this product (work, service). This problem can be solved only using the “direct costing” system.

Calculating the variable cost helps the analyst to quickly solve a number of management tasks, and the calculations of the total cost do not give similar results.

Finally, this system makes it possible to significantly simplify rationing, planning, accounting and control of a sharply reduced number of costs, as a result, the cost price becomes more observable, and individual cost items become better controlled.

The accounting system "Direct-costing" the company has the ability to organize in accordance with the chosen accounting policies. The applied chart of accounts allows for the application of several production cost accounting schemes.

From the point of view of the formation of the cost of production (works, services), the chart of accounts provides for two options for accounting for production costs: traditional and marginal.

The next option for accounting of production costs involves the division of costs into variable and fixed, the calculation of the reduced (partial) production costs and the write-off of fixed costs to reduce revenues in the reporting period in which they arose.

When planning production activities often use the analysis of "cost - volume - profit." If the volume of production is determined, then thanks to this analysis, it is possible to calculate the cost value and the selling price so that the company can get a certain amount of profit, both book and net. With the help of data analysis, it is easy to calculate the various variants of the production program when, for example, the prices of products or materials supplied, the structure of production change. In other words, the cost-volume-profit analysis provides an answer to the question of what we will have if one parameter of the production process or several parameters changes.

Cost-volume-profit analysis is one of the most powerful tools available to managers. It helps them to understand the relationship between the price of the product, the volume or level of production, direct costs per unit of production, the total amount of fixed costs, mixed costs and profits. It is a key factor in the process of making many management decisions. These decisions concern the issues of determining the range of products manufactured, the volume of production, the type of marketing strategy, etc. Due to such a wide range of applications, the cost-volume-profit analysis is undoubtedly the best management tool in order to achieve the maximum possible profit of an organization under these conditions.

The cost-volume-profit analysis makes it possible to find the most favorable correlation between variable costs, fixed costs, price, and the volume of production. The main role in choosing the strategy of enterprise behavior belongs to marginal profit. Obviously, to increase profits by increasing the amount of marginal profit. This can be achieved in various ways: reduce the sales price and increase sales accordingly; increase fixed costs and increase volume; proportionally change the variable, fixed costs and output. [13, p. 76]

The cost-volume-profit analysis is often referred to as a critical point value analysis. Under the critical point refers to the point of sales in which costs are equal to the revenue from the sale of all products. The purpose of analyzing the values at a critical point is to find the level of activity (production volume) when sales revenue becomes equal to the sum of all variable and fixed costs, and the profit of the organization is zero, i.e. it is the sales volume at which the company has no profit or loss. Thus, the point at which an organization begins to make a profit is critical. This point is also called “dead”, or break-even point, or equilibrium point. In the literature one can often find the designation of this point as a point of profitability.

Marginal income is the basis of management decisions related to the reduction of production. Within a short-term period, if a product generates more revenue than its variable costs, it contributes to total profits. This information

comes instantly if the margin approach is used. In the traditional approach, it is difficult to obtain relevant information, but the manager may be misled by the unit cost of production, which carries an element of fixed costs.

Marginal income plays a very active role, signaling the overall level of profitability of both the entire production and individual products. The higher the difference between the sales prices of products and the sum of variable costs, the higher the marginal income and profitability level. The division of costs into fixed and variable is important for the management and analysis of the enterprise, in particular for making decisions on assortment policy, as well as on closing or declaring bankruptcy in the case of unprofitable activities.

The analysis of the organization of current accounting at oil and gas producing enterprises shows that there are a number of shortcomings that negatively affect the management of production costs. This is primarily due to the concentration of accounting personnel directly in the central accounting department. The absence of an accounting officer in the production units does not allow obtaining information on the use of material stocks at all stages of the production cycle.

It is recommended in the study area to develop an individual chart of accounts. In IFRS, the standard names of accounts are not provided for and are made available for the decision of the enterprises themselves, and the New Chart of Accounts, developed by the Ministry of Finance of the Republic of Azerbaijan, is not mandatory, but recommendatory. It is necessary to organize the accounting of the main operations on the accounts of management accounting in such a way that it is possible to trace the process of procurement of material values, their maintenance, consumption during production, sale of products and the process of write-off.

When developing an individual chart of accounts for the effective operation of management accounting, a number of suggestions should be kept in mind:

1. To determine the main directions of management accounting;

2. For the analysis of costs, accounting results and alternative problems to introduce the widespread use of computer tools.

So, both in the domestic experience (accounting of actual costs) and in international experience (accounting for variable costs), the management accounting system has its drawbacks and advantages. In our opinion, the main task is to eliminate the shortcomings of the implementation of this system and to maximize the benefits.

In order to improve enterprise management, increase profitability and eliminate losses in the production Oil and Gas Production Association under study, it is considered expedient to apply the Direct Costing system.

## CONCLUSIONS AND OFFERS

The transition to a market model of the economy causes changes in the accounting system. In this paper, we study topical issues of the theory and practice of management accounting in gas industry enterprises.

The subject of activity of oil producing enterprises (oil production) causes the existence of problems peculiar only to enterprises of the extractive industries. Currently, oil-producing enterprises are in a position where the best oil fields are depleted and have a high production cost. The functioning of enterprises in such conditions requires the use of new approaches to management, contributing to an increase in the effectiveness of production activities. In this regard, it is important to increase the reliability, efficiency, strengthening control over the reduction in the cost of production and the adoption of timely, correct and effective operational, tactical and strategic management decisions.

The established practice of cost accounting at oil production enterprises does not create sufficient conditions for making sound management decisions that help optimize the production activity of an enterprise, and requires qualitative changes in the organization of cost accounting. The formation and implementation of a management accounting system in the industry will allow forming the information space of internal control over the use of resources, conducting a cost analysis in order to identify reserves for increasing production efficiency and further developing the industry.

The results of the thesis research allow us to draw the following conclusions and suggestions.

1. As a result of research into the practice of organizing management accounting, it was revealed that a number of organizational and technological features of production affect the development of a cost and output accounting methodology at oil production enterprises: the remoteness of the subject of labor from the worker; process continuity; the presence in the process of a number of

clearly defined successive stages; lack of semi-finished and unfinished production; high capital intensity of production; relatively narrow range of products; various quality of output from the bowels of the earth; dependence of performance indicators of oil-producing enterprises on natural and mining-geological conditions; organizational structure of the enterprise. These features of oil production determine the order of documentary registration, the choice of object of accounting and calculation, the construction of analytical accounting and grouping of expenses, the organization of the budgeting process and cost control, as well as the procedure for generating internal reporting.

2. At the moment in the domestic economic literature, the concepts of "production accounting", "management accounting", "accounting" and their relationship are interpreted ambiguously. Often they are considered synonymous. There is no definite distinction between them. We adhere to the position that management accounting is the most capacious system, and production accounting is a rather important component of it. Moreover, information obtained in management accounting, for greater rationality, should be used for accounting and tax accounting.

3. The study showed that in the economic literature production costs are classified in many ways. At the same time, there is no single concept of cost classification, uniformity in the understanding of costs according to various criteria. Therefore, it was proposed to classify costs in two broad areas: cost classification to determine the cost of production, inventory valuation and profit calculation, allowing information to be used for management, accounting and tax purposes, and cost classification for management decisions and the process of control and regulation designed exclusively for management needs.

4. A reliable calculation of the actual cost of production largely depends on the applied nomenclature of calculation cost items. Their study in oil producing industries shows that they are justified by the sectoral instruction on planning, accounting and calculating the cost of oil and gas production. In the oil industry,

a number has been distinguished in comparison with the standard nomenclature of specific calculation items: “Energy costs for oil recovery”; "Expenses for artificial effects on the reservoir"; "Depreciation of wells"; "The cost of collecting and transporting oil and gas"; "Expenses for technological preparation of oil"; "Mineral Extraction Tax".

The analysis of the existing in practice nomenclature of costing items for production allowed us to make proposals for improving their composition.

5. For the proper organization of management accounting of production costs and output of products, a scientifically based classification by place of importance is of great importance.

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