Efficient economic costs are crucial for the profit generation of companies. Production effectiveness depends on the value and structure of this indicator. As long as cost management process is a part of the company production, it shall be in line with the general business strategy. Therefore, creation and implementation of the cost management system, aimed at optimization and profitability increase, is rather important for a company. Such scholars as A. Klimenko [1] A. Laskaviy [2] O.Azaryan [3] N. Olech [4] H.Partyn [5] and others studied problems of the cost management processes in business. These scientists admit importance of the cost management process. Despite the expenditure, part of a production process affects profitability and growth potential of a business, the issue of cost optimization and rationalization remains unconsidered.

**Research methodology.** System approach to the research of economic market processes and phenomena is a methodological and theoretical basis of the study. The following methods are used: analysis and synthesis, an induction and deduction mechanism for handling of the cost management mechanism of meat processing enterprises as well as formulation of conclusions and proposals concerning problems existing in their business activity; tabular and graphical methods – for illustrative representation of the results.

**Results of researches.** Creation of an adequate enterprise costs management system is one of the ways for the increase of profitability of the products of meat processing. This process is an integral part of business, so it should correspond to the general business strategy. Depending on the expected character of development, these strategies can be divided into growth, stabilization and survival strategies. In case of the growth strategy, enterprises direct their activity at formation of new competitive advantages that will bring benefits in the future. The growth strategy provides expanded reproduction of the economic process, so the issue of cost reduction is non relevant.

Under the stabilization strategy enterprises adhere to stability of production costs which obtains random variable characteristics under market economy conditions. The main goal is achievement of a certain level of actual costs. This strategy is transitional from defensive survival to offensive increase strategy. Hence, cost reduction and profit increase is the aim of a company. Thus, formation of the cost management algorithm depends on the strategy of the enterprise (Table 1).

One of the directions for the optimization of cost management process is their structuring according to their functional centers, so-called “responsibility centers”, which are responsible for the results of such management [1, p. 53-57]. There are three main types of such centers, “cost centers”, “revenue centers”, “profit centers”.
The production process comprises a set of the following subprocesses: 1) resource support. Amount of used resources is combined in the common currency, forming the enterprise costs; 2) production, which provides transformation of resource’s costs to the finished products, forms revenues of the business entity; 3) products realization, the result of which is income creation from business activities. Thus, line and functional managers are responsible for the results of such process.

1. Features of cost management under different strategies of the enterprises activities

<table>
<thead>
<tr>
<th>Strategy type</th>
<th>Strategy realization characteristics</th>
<th>Expected results of the activity</th>
<th>Costs management purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase strategy</td>
<td>Strengthening of market position by means of current products</td>
<td>Formation of competitive advantages for the substantial increase of future profit. Competitiveness, not a profit, is the indicator of effectiveness</td>
<td>Optimization of expenses for current products realization</td>
</tr>
<tr>
<td></td>
<td>Development of new markets by means of current products</td>
<td></td>
<td>Optimization of production and capital expenses</td>
</tr>
<tr>
<td></td>
<td>Development or formation of new markets by means of new or improved products</td>
<td></td>
<td>Optimization of capital expenses</td>
</tr>
<tr>
<td>Stabilization strategy</td>
<td>Stabilization of market positions by means of current products</td>
<td>Achievement of stable level of profits and activity efficiency</td>
<td>Costs optimization and reduction of their unfavourable fluctuations</td>
</tr>
<tr>
<td>Survival strategy</td>
<td>Provision of the sufficient financial position of a company</td>
<td>Increase of the existing level of profits (reduction of unprofitability)</td>
<td>Production expenses optimization</td>
</tr>
</tbody>
</table>

However, costs reduction does not always a guaranty of increasing profitability, and sometimes, may even prevent it. Furthermore, even in case of effective functioning of “cost centres”, activity effectiveness could be decreased due to imperfect production processes and realization. This is why optimization should be the main in the cost management. Maximum of economic effect or maximum profitability level of business activity can be used as a measure of optimality. Hence, the cost management system should also cover “revenue centres” and “profit centres” for collaboration and cooperation for the achievement of a common goal.

Management process includes planning, motivation, coordination and regulation, control. These processes are closely connected with each another and ensure rhythm of cost management. Peculiarities of the mentioned subprocesses also determine the features of the management object, in particular cost types peculiarities. The classification of expenses is determined by industry features. The
level of costs dependence from the amount of manufactured products is the
distribution criterion. Currently, there are three commonly used approaches to costs
distribution, by the mentioned criterion: 1) variable and constant; 2) variable and
conditional-constant, and 3) variable, constant and conditional-constant. Agricultural
producer’s expanses can depend (variable) or not depend (constant) not only on the
proportion of volume of manufactured products, but also on the used land resources
(crop growing) and livestock (stockbreeding). In this case conditional-constant costs
are determined per unit (per 1 ha, per 1 animal) of the corresponding resource.
Therefore, meat processing production, in case of own production of raw materials
should use combined approach for the classification of costs: 1) for the production of
raw materials and fresh, chilled, frozen meat – division on of variable, constant and
conditional-constant, 2) for the production of sausages – variable, constant expanses
(Fig. 1).

![Diagram of the total costs of meat processing branch](image-url)

**Fig. 1. The elements of the total costs of meat processing branch**

Planning is the first step in the cost management. One of the characteristics of
two groups: 1) costs on current production ensuring (including
enterprise’s activity with growth strategy is the fact, that the substantial share of their
costs is directed to the investments, aimed at quality improvement of current goods,
or production organization of new products and improvement of a technological
process. As the implementation of these costs and their economic returns requires
considerable amount of time, their planning should meet requirements for the
calculation of investment costs. In order to minimize unpredictable adverse
fluctuations, the planned amount of investment costs should take into account
inflation and other risks. Thus, future expanses of companies with growth strategy
can be divided into two groups: 1) costs on current production ensuring (including
expansion of production scopes), 2) costs for organization of improved or new
products production.
We suggest calculation of future costs in two stages. First of all, determination of their amount on the basis of current prices and tariffs. After that, current costs should be transformed into future costs, taking into account the activity of business risks. Discount rate is traditionally used in the second stage. The rate takes into account predicted inflation rate, rate of risk-free assets, average market lending rate and systematic risk coefficient. During calculation of predicted inflation rate it is useful to apply regression analysis methods, such as trend extrapolation. Besides, it is necessary to consider not inflation at the national or regional level, but price indices for certain raw materials used in meat processing. Inflation dynamics ranks for the longest possible period (over 15 years) shall be used for regression. It is also very important to smooth initial data in the "atypical" periods. The method of determination of current costs in terms of future is opposite to the discounting of flows (the last includes determination of future value in terms of current value) and is calculated by the following formula:

\[ B_{mt} = B_m \times (1 + r)^t, \]

where

- \( B_{mt} \) — current costs in future period \( t \);
- \( B_m \) — costs under current business conditions;
- \( r \) — discount rate;
- \( t \) — number of period (year, quarter, month).

While calculating current planned costs it necessary to consider, firstly, the production capacity of a company, secondly, the minimum costs necessary for the support of the production process, and, thirdly, financial capacity of a business entity. Planning should take into account the main business goal – profit generation. We selected two approaches to determine the amount of planned expenses: 1) based on the planned (desired) amount of the economic effect, and 2) based on the recommended plan of production. The disadvantage of the first approach is that profits depend on the market factors, as it totally determined by the price and costs. In addition, costs affect profit, not vice versa. Consequently, economic effect can not be considered as a basis for planning costs. However, it is necessary to establish the lower limit of profit. It is especially important for companies with the survival strategy. Achievement of a break-even production is a primary goal for such companies. Anyway, we can not deny necessity of profit maximization of a business entity.

Thus, planned amount of business costs is primary relative to the profitability of its activity. That is, the amount of costs should provide maximum performance of meat processing products producers. In addition, the amount of costs determines output. Consequently, consideration of the planning issue is aimed at the determination of the costs, necessary for the level of production, providing maximum profit. It is necessary to take into account available resources and production capacity.

It is useful to use integral indicator during evaluation of cost management effectiveness. The structure of the index is determined by the cost structure and units
generating costs. Partial indicators of lower level are calculated comparing actual and planned amounts of variable, constant, and conditional-constant costs separately for each type of meat processing products and raw materials of its home production. The next level of evaluation is determination of integral indicators of costs, specific for production spheres: namely, livestock farming and production of sausages. The outcome of the final evaluation stage should be the integral indicator for the overall efficiency of an enterprise. Hence, the algorithm of the integral evaluation of the cost management effectiveness at meat processing plants consists of the following stages:

1) calculation of partial effectiveness indicators by cost of certain types of products;
2) calculation of integrated effectiveness indicators by certain types of products;
3) calculation of integrated effectiveness indicators by certain spheres of production;
4) calculation of the integral effectiveness indicator of a meat processing company.

Partial and integral indicators exceeding 1 are unsatisfactory. It shows that actual costs exceed planned ones. Decision on encouragement or punishment of responsible workers, should be based on the relatively long control period. This allows “responsibility centres” to identify and solve problem at the initial stage, thus, achieving the main goal. In general, the scheme of the cost management process of meat processing enterprises is presented in Fig. 2.
Thus, cost management in the meat processing involves the influence at the cost of meat processing companies that provides achievement of the strategic goals of their activity – obtaining of maximum economic effect. The objects of the management are variable, constant, and conditional-constant costs arising during the production of meat (both raw materials and meat processing production) and sausages. In order to enhance cost management it is recommended to share responsibilities among “responsibility centres”. They will be formed within the spheres of producers activity of meat processing products.

**Conclusions.** Summing up the above, meat processing companies’ costs planning is determined by their strategic goals. Depending on goals costs are divided into: requiring discounting and not requiring. Optimization of the production volume of meat processing products is suggested to be a basis for cost calculation. Motivation is also important, as it encourages representatives of the “responsibility centres” for the effective cost management. Control stage is also important in the cost management, as its results are the basis for further planning, evaluation of the “responsibility centres”’ activity and for distribution of payment or punishment among the responsible parties. One of the main functions of control is early detection and elimination of problems in the cost management sphere. The earlier the incompliance between actual and planned costs will be detected, the easier the issue will be resolved. Evaluation of the plan realization level should be made by decomposition method. It enables to solve the complex problem of company costs reduction by solving simpler problems of reducing certain types of costs of certain “centres of responsibility”. Therefore, the evaluation of effectiveness should be conducted not only at the company level, but also at the level of every “responsibility centre”, its sphere of activity within each type of products and costs.