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Costs: key element of financial control

Abstract. Costs always stay in the focus of financial managers, being an important indicator with a degrading impact on the benefit of the entity. The authors review the evolution of costs: from actual costs to standard activity-based costs (ABC) and those with a social impact. In terms of developing costs, we found out that at the stage basic production of raw materials, direct costs outweigh indirect costs, yet in the process of processing raw materials into finished products, we observe a reverse process - indirect costs outweigh direct costs, which is a process related to a cost-per-activity. The basic producer is disadvantaged. Therefore, we believe that a new state strategy on producer price is needed. Some researchers believe that standard costs should be abandoned, moving to activity-based costs. We consider that standard costs are necessary for the public-budget sector. We also believe that the cost-benefit analysis (CBA), with a social character, justifies, first of all, the obtained social result and then the costs. CBA quantify the value of the consequences of state policy on the members of society. Standard costs should not be abandoned. They are a guideline, and a benchmark of scientifically established costs. Yet, they should be reviewed each year, reflecting the changes taking place in the country's economy. We see this phenomenon in determining the standard cost per weighted pupil at financing the pre-university education in the Republic of Moldova. In agriculture, the notion of standard cost does not have to be standardised. This stage is past, outdated. At the same time, it is necessary to investigate the costs of activities.

We propose to use a parity price policy, which would balance inter-relationships, especially between agriculture and industry. This is a necessity determined by the economic character of the Republic of Moldova. Therefore, the Ministry of Economy of The Republic of Moldova should calculate activity costs, new cost accounting and market pricing, giving priority to the primary producer, the raw material manufacturer. In this research, since it is difficult to analyse costs by activity in agriculture, we analysed the related process by phases: the raw material production phase and the processing stage in several agricultural crops (wheat, maize, and sunflower). The analysis demonstrates the impact of costs on the absolute benefit per one hectare and the profitability per one hectare, these two financial indicators being based on costs and the market price of one tonne of cereals.

The authors' research on the financing of gymnasiums has demonstrated the financial efforts made by the state to finance schools with a number of weighted pupils equal to or less than 41 weighted pupils or 91 weighted pupils. Expenditures are high, but the quality of studies is very low. The problem must be solved for the benefit of large district-performing schools. We believe that money spent inefficiently for the maintenance of schools should be directed to create the conditions for the children coming from small schools (gymnasiums) to conventional schools where there are highly qualified teachers.

The cost-per-activity model demonstrates that indirect costs significantly outweigh direct costs. We also believe that the standard-based cost system can be applied more effectively with regard to public services, as in the case of Moldova

Keywords: Costs; Full Costs; Direct Costs; Indirect Costs; Standard Costs; Cost-per-Activity; Cost-Benefit Analysis; Standard Cost Per Weighted Pupil; Normative Value; Value Assignment; ABC

JEL Classification: H4; H72; H83

DOI: <https://doi.org/10.21003/ea.V173-08>

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Витрати: ключовий елемент фінансового контролю

Анотація. Витрати, які є важливим показником, що має негативний вплив на вигоду підприємств, є предметом особливої уваги фінансових менеджерів. У статті розглянуто еволюцію витрат: від фактичних до стандартних витрат, що обумовлені діяльністю, і тих витрат, які мають соціальний вплив. У процесі дослідження було встановлено, що на стадії виробництва сировини прямі витрати перевищують непрямі, проте в процесі переробки сировини в готову продукцію спостерігається зворотний процес – непрямі витрати перевищують прямі, і зазначений процес пов'язаний із ціною діяльності й впливає на виробника. У зв'язку з цим автори дослідження вказують на необхідність розробки нової стратегії, що стосується визначення ціни виробником. На відміну від дослідників, які вважають, що слід відмовитися від стандартних витрат, взявши до уваги витрати, обумовлені діяльністю, автори цієї статті вважають, що стандартні витрати необхідні для бюджетного сектора й дотримуються думки, що аналіз витрат і вигод виправдовує насамперед отриманий соціальний результат, і лише потім, власне, витрати. Аналіз витрат і вигод дає кількісну оцінку результатам державної політики стосовно суспільства. У Республіці Молдова політика, якої дотримується держава щодо витрат і соціальних пільг, відображена в урядовій програмі «Перший будинок», згідно з якою уряд Молдови бере на себе частину витрат на оплату вартості кожного будинку, побудованого для молодих молдавських фахівців.

Ключові слова: витрати; повна вартість; прямі витрати; непрямі витрати; стандартні витрати; ціна діяльності; аналіз витрат і вигод; стандартні витрати на одного учня; нормативне значення; надане значення; поопераційне обчислення вартості.

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Затраты: ключевой элемент финансового контроля

Аннотация. Затраты, будучи важным показателем, имеющим негативное влияние на выгоду предприятий, являются предметом особого внимания финансовых менеджеров. В статье рассмотрена эволюция затрат: от фактических до стандартных затрат, обусловленных деятельностью, и тех затрат, которые имеют социальное воздействие. В процессе исследования было установлено, что на стадии производства сырья прямые затраты превышают косвенные, однако в процессе переработки сырья в готовую продукцию наблюдается обратный процесс – косвенные затраты превышают прямые. Этот процесс связан с ценой деятельности и влияет на производителя. В связи с этим авторы исследования указывают на необходимость разработки новой стратегии, касающейся определения цены производителем. В отличие от исследователей, которые полагают, что следует отказаться от стандартных затрат, приняв во внимание затраты, обусловленные деятельностью, авторы данной статьи считают, что стандартные расходы необходимы для бюджетного сектора и придерживаются мнения, что анализ затрат и выгод оправдывает прежде всего полученный социальный результат, и лишь затем, собственно, затраты. Анализ затрат и выгод дает количественную оценку результатам проводимой государством политики касательно общества. В Республике Молдова политика, которой придерживается государство в отношении затрат и социальных льгот, отображена в правительственной программе «Первый дом», согласно которой правительство Молдовы берет на себя часть затрат на оплату стоимости каждого дома, построенного для молодых молдавских специалистов.

Ключевые слова: затраты; полная стоимость; прямые затраты; косвенные затраты; стандартные затраты; цена деятельности; анализ затрат и выгод; стандартные затраты на одного учащегося; нормативное значение; присвоенное значение; пооперационное исчисление стоимости.

1. Introduction

Costs and expenses are the key elements of the entity's management financial control. Effective use of these two key elements depends, first of all, on the internal work of the entity. On the other hand, these key elements are under the external factors (competition, monopoly prices, inflation, etc.), which is why we consider the role of the state in a free economy can impact the country's economic policy.

As an economic category, costs have a direct impact on financial indicators and, as a result, on the benefit of the entity, influencing the structure of the production price. In order to streamline production expenses, or costs (consumption) in the production of economic assets, the entity's managers must strictly control the costs. To this end, managers need to know the cost structure and be able to analyse the cost per unit of output in dynamics and make timely decisions to improve cost use.

Costs and expenses, as key elements of the entity's management control, require their effective use. These two key elements are primarily driven by the internal work of the entity's staff. On the other hand, these key elements come under the existence of external factors (competition, monopoly prices, inflation, etc.).

«The economy can be compared to a ship, whose canvas is inflated by the free activity of the entrepreneurs and at the helm of which the state is. If the rudder is missing, the blades are harassed by the winds blowing in all directions, and the ship is in danger of spoiling» (V. Leontiev).

2. Definition and essence of costs

Costs, as a key element of management control, are always in the focus of researchers. Thus, we find that costs are «the amount of money spent for producing or buying a good, performing a work, providing a service» (Coteanu, 1998). V. Turcanu, an ASEM University Professor, claims that «consumption (costs) is the entity's resources used to produce products and provide services in order to obtain profit» (Turcanu, 2009).

A. T. Baciu considers that «the cost is an economic category that expresses, in cash, the living and materialized labour costs incurred for the purchase or production and sale of a unit of material goods, executed works or services rendered by an enterprise» (Baciu, 2002).

B. Larisa, a professor at UTM, believes that «the economic term «cost» expresses the value of the resources used to complete an economic process that ends with a product or service» (Bugaian, 2007).

Other researchers who study costs place an emphasis on spending. Therefore, «the cost is an expense or a cost amount determined by a product or place of business in which the

good (product, work or service) occurs, and a production cycle» (Birsan, 2013).

In the National Accounting Standards (NAS), «costs (consumption) are the resuscitation used for the manufacture of products, the execution of works and the provision of services in order to obtain an income. As a rule, they are directly linked to the production process, and therefore occur as far as the marketing of finished products, goods and the provision of services» (National Accounting Standards, 2015).

Financial accounting distinguishes costs and expenses. If costs are directly related to the process of production and occur up to the sale of finished products and are included in the sales price, then costs arise from the economic and financial activity of the entity and are not directly related to the production process. They are reflected in the entity's Financial Statement and the determination of the (loss) period of the management to the tax is deducted from the income in terms of different activities.

The production costs are of great importance to the entity. A. Nederiță, a university professor (ASEM), considers that «production costs are the resources expressed in terms of value and consumed for the manufacture of goods or services» (Nederita, 2017; Nederita 2003).

Researchers of the cost concept are motivated by the impact of costs on financial indicators. Therefore, it is necessary to investigate the evolution of this concept, which is directly related to the efficiency of any activity.

3. Evolution of the cost concept

The notion of cost has a special history. The cost is related to efficiency, having a direct impact on the benefit of the entity.

Based on the essence and purpose of the cost, researchers have been looking for cost-effective ways, so they have evolved into evolutionary development. If we look at the evolution of costs, we realise that research was originally focused on real costs, when producers tended to increase costs to increase the volume of their production, having scarce resources. Then, it went to the planned or standardised, with the emergence of standard costs.

The issue of efficient spending has always been related to costs. From planned costs, it went to the notion of standard costs. This notion appears at the beginning of the twentieth century as a standard cost method.

The standard cost method establishes anticipated direct and indirect production costs, being an orientating trend for the enterprise. Afterwards, the standard cost method was used in all economic sectors, including the public sector.

Thus, standard costs are cost measurement standards, the purpose of which is tendency orientation and comparison with actual costs.

The search for cost effectiveness has in the focus of economists since the 20th century. Researchers questioned the abandonment of the standard cost system that prevailed in the US in the last decades of the 19th and early 20th centuries.

The need for a new cost approach stemmed from the fact that the related costs increased both relative and absolute terms, as companies diversified into several product lines, customers, channels and regions, and offered specialised features and services.

In the 1980s, standard cost systems designed during the 75-year-old scientific management move no longer reflect the current economic reality.

A significant contribution to the development of the cost concept was made by the American scholar Kaplan Robert Steven (1940), a professor at the Harvard Business School. R. S. Kaplan, in collaboration with the scientist S. R. Anderson investigated costs at a different angle from the point of view of how to consume resources to produce a good, promoting a new approach in the «time-driven activity-based costing» (2004) in which they promoted the concept of cost-per-activity (R. Kaplan & A. Steven, 1997). Activity-based costing (ABC) tries to measure product cost and customer profitability.

As originally introduced in the 1980s, the ABC method corrected the serious deficiencies of the traditional cost system. Traditional systems typically use only three cost categories: labour, materials and general expenses.

Many companies have moved from production strategies to those that offer customers extensive variety, features and options. The customer-oriented strategy has tried to attract, retain and grow business by offering services such as: producing and storing a larger variety of products, and supporting multiple incoming and outgoing channels (delivery of finished products, production and delivery in smaller sizes directly to customers, etc.).

All these new services have created value and loyalty among customers, but none of them comes for free. To provide extensive variety and new features and services, companies have had to allocate resources between engineering, programming, reception, storage, inspection, configuration, material handling, packaging and distribution.

The related costs are both relative and absolute, as companies have diversified into several product lines, customers, channels and regions, and provided specialised features and services.

The ABC method or cost-per-activity has greatly increased indirect costs, outpacing direct costs. Yet, this is reality in an integrated economy. In this situation, state intervention is needed to support the underlying producer who, under the new conditions, is disadvantaged. The state must develop an appropriate economic policy for all parties.

Research into the cost concept continued, causing scientists to expand the concept from the effectiveness of the individual's or the entity's interest to the effectiveness of social interest. This approach is dealt with profoundly and in detail by a group of American scholars, such as A. E. Boardman; David H. Greenberg; Aidan R. Vining; David L. Weimer (all university professors) in «Cost-benefit analysis: concepts and practice» (2018).

This work is conceptually and practically grounded, being the most valuable work that deals with the CBA

(cost-benefit analysis) method. The authors of this paper focus on the cost-benefit link, studying the social benefit, which does not always coincide with the benefit of the producing entity.

Cost-benefit analysis is a method of assessing a policy that quantifies in monetary terms the value of all the consequences of this policy on all members of society. The net social benefit expresses the value of this policy. The difference between social benefits (*B*) and social costs minus (*C*) is the net social benefit (*BSN*):

$$BSN = B - C.$$

We can exemplify this approach through the experience of the US Government that through funding supported research to evaluate a series of «pilot tests», «social experiments» on social assistance reform and eventually a change in the social policy. Consequently, the US government adopted a new federal social assistance Act - the Family Support Act - in 1988. This field was researched in several states in the 1980s.

It should be noted that developed countries increasingly resort to the need to use the cost-benefit analysis. Thus, the US federal government first introduced the use of the cost-benefit analysis by the Government Decision issued by President Reagan in early 1981. That required an analysis of the regulatory effects of each major legislative initiative, which, in fact, represented a cost-benefit analysis, which also included elements of repartition and equity.

Almost all other industrialised Western countries have similar regulations on the adoption of relevant policies or projects (programs). Thus, through a normative act in Canada, it was established that before commencing any construction work, projects must be thoroughly technologically evaluated and economically viable. The economic viability of the project is determined with the help of the cost-benefit analysis.

CBA quantifies the value of the consequences of the state policy on the members of society. This is the essence of the social cost-benefit method. In the Republic of Moldova the cost and social benefit policy is found in the «First Home» Government Program.

4. Impact of costs on financial indicators

The research carried out by the National Institute of Economic Research in the area of setting agricultural production tariffs has served as a basis for the cost analysis of some crops in the agricultural branch (T. Bajura, A. Stratan, & P. Scobiola, 2017; A. Zbanca, S. Panuta, V. Morei, & A. Stratan, 2017). Costs vary by structure in the value of a good (fixed costs and variable costs, direct costs and indirect costs). The abovementioned researches describe the situation in the agricultural sector of the Republic of Moldova. Since it is very difficult to analyse costs by activity in agriculture, we analysed the related process by phases: the raw material production phase (Table 1) and the processing stage in several agricultural crops.

In the first stage of production:

- for autumn wheat:

The analysis shows that direct costs account for 97.08% of the total cost structure:

$$(6,872.5 / 7,078.7) * 100 = 97.08\%.$$

Indirect costs account for 2.92% of the full cost structure:

$$(206.2 / 7,078.7) * 100 = 2.92\%.$$

Tab. 1: **Producer price per tonne of grain in the dynamics of the years 2005-2017, MDL**

Type of production	Measurement units	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Wheat	MDL / t	961	1,077	2,155	1,464	961	1,600	1,987	2,463	1,845	1,986	2,430	2,175	2,262
Maize	MDL / t	1,163	1,284	2,654	1,555	1,480	2,257	2,330	2,906	1,777	1,951	2,674	2,585	2,279
Sunflower	MDL / t	2,348	2,241	3,963	2,574	2,402	4,552	4,572	6,362	3,875	4,417	6,592	6,298	5,489

Source: <http://www.statistica.md>. The price information for 2017 is from the Ministry of Agriculture of the Republic of Moldova

The weighted cost analysis of full costs is 83.87% (84%):
 $(5,929.9 / 7,078.7) * 100 = 83.77\%$.

The share of fixed costs (constant) in the full cost structure is 15.83% (about 16%):

$942.5 + \text{other fixed assets } 177.9 = \text{MDL } 1120.4$;
 $(1,120.4 / 7,078.7) * 100 = 15.83\%$.

In large agricultural enterprises processing one hectare of wheat in autumn, where there is a quantity of 25.0 quintals, the full costs are MDL¹ 7,078.7, these costs are equal to the normed costs. Therefore, for 1 tonne of raw wheat the total costs are equal to MDL 2,831.5 ($7,078.7 / 2.5 = \text{MDL } 2,831.5 / \text{t}$). If it produces 1 tonne of winter wheat at a market price of MDL 3,500 lei, then the farmer would benefit from MDL 668.5 per one hectare, or 23.6% will be the rate of profitability ($3,500 / 2,831.5) * 100 = 23.61\%$. If we refer to the producer price per 1 tonne of autumn wheat in 2016 (MDL 2,174 / t), then the farmer is in total loss, he cannot cover his costs either. ($P / p \ 2,174 - \text{Full cost } 2,831.5 = - \text{MDL } 675.5 / \text{t}$), being at a loss of MDL 675.5 per one tonne of autumn wheat.

In order to benefit from the autumn wheat, T. Bajura and other researchers from the National Institute for Economic Research (INCE), recommend a reasonable price for autumn wheat producers and an annual of MDL 3,500 to the Moldovan Government. Therefore, the price for sale should not be less than MDL 3,500 / t.

• **for corn grains:**

In 2016, the producer's price per 1 tonne of corn was MDL 2,585 / t. The difference between the selling price of one tonne of maize and the full cost per tonne of corn is MDL 358.9 per one tonne of maize:

$2,585 - 2,226.1 = \text{MDL } 358.9 / \text{t}$.

So the farmer has an income of 358.9 lei per tonne of corn. The absolute benefit of the farmer at 1 ha will be:

$358.9 * 3 = \text{MDL } 1,076.7 / \text{ha}$.

The profitability per 1 ha of maize will be 16.12%:

$(1,076.7 / 6,678.2) * 100 = 16.12\%$.

The profitability per 1 t corn will be equal to 16.12%:

$(358.9 / 2,226.1) * 100 = 16.12\%$,

or

$(\text{sales price per one tonne} / \text{full cost per one tonne}) * 100\% =$
 $= (\text{MDL } 2,585 / 2,226.1) * 100 = 16.12\%$.

• **for sunflower seeds:**

In 2016, the producer's price per 1 t of sunflower was MDL 6,298 / t. The difference between the selling price of one tonne of sunflower and the full cost per tonne of sunflower is MDL 1,556.8:

$6,298 \text{ Pp} / \text{t} - 4,741.2 \text{ Cost} / \text{t} = \text{MDL } 1,556.8$.

Consequently, the farmer has an income of MDL 1,556.8 per one tonne of sunflower seeds. The absolute benefit of the farmer at 1 hectare will be MDL 3,113.6 / ha:

$1,556.8 * 2 = \text{MDL } 3,113.6 / \text{ha}$.

The return on 1 ha of sunflower will be 32.84%:

$(3,113.6 / 9,482.4) * 100 = 32.84\%$.

The profitability per 1 tonne of sunflower seeds will be equal to 32.84%:

$(\text{the sales price per tonne} / \text{full cost per ton}) * 100\% =$
 $= (1,556.8 / 4,741.2) * 100 = 32.84\%$.

The analysis of the three crops demonstrates the impact of costs on the absolute benefit per one hectare and the profitability per one hectare, these two financial indicators being based on costs and the market price of one tonne of cereals (Table 2).

5. Use of standard costs in the Republic of Moldova

Although the ABC approach criticises the standard cost method, indicating the deficiencies of the method, we consider that we cannot refer to activity costs in all areas. The activities are clearly visible in the companies producing goods. However, in the budgetary sector the financing of education based on the standard cost per one weighted pupil is very welcome.

Tab. 2: Comparative analysis of the two phases

Grain type	Phase I - basic manufacturer's work				Phase II processing of raw material			
	P/p MDL/t	Cost/u/t	Prof./ u/t	Economic rentability, %	P/p MDL/t	Cost/u/t	Prof./u/t	Economic rentability, %
1	2	3	4	5	6	7	8	9
Wheat	2,500	1,968	532	27.0	3,858	3,156	702	47.0
Maize	2,315	1,571	744	47.3	4,164	3,258	907	67.7
Sunflower	5,000	3,247	1,753	54.0	8,814	6,648	2,166	80.1

Source: Compiled by the authors based on information from the Ministry of Agriculture of the Republic of Moldova

Although standard costing is a cost benchmark, it changes from year to year under the influence of a number of factors.

If we refer to the financing of pre-university education, the case of the Republic of Moldova, based on the standard cost per one weighted pupil (Government Decision, 2014), we find that the normative values for an institution and the normative value for a weighted pupil² are increasing from year to year. Funding is based on science-based formulas. Thus, to finance a pre-university educational institution, the following formula is used:

$$V = (A * N + B) * K + R + I, \tag{1}$$

where:

V - the volume of allowances for a specific institution on the expenditure side;

A - the normative value for a weighted pupil;

B - the normative value for an institution;

N - the number of weighted pupils in a concrete institution;

K - the coefficient of the administrative-territorial unit, equal to 0.95, which cannot be less than this value (maximum 3% for the component of the second-level administrative-territorial unit and maximum 2% for the inclusive education fund);

R - allocations to a concrete educational institution from the component of the administrative-territorial unit;

I - allowances allocated to a specific institution from the inclusive education fund.

² Weighted pupils: The data on each class is multiplied by the weighting coefficients for each group. Pupil weighting ratios: 0.75 - for pupils in forms 1-4; 1.00 - for pupils in forms 5-9; 1.22 - for pupils in forms 10-12. Example: Grade 1-4 = 120 pupils x 0.75 = 90.0 weighted pupils, etc.

¹ Average exchange rate for Moldovan Lei (MDL) to Euro = 0.048.

Volume of allowances for small schools

The volume of allocations to small schools in primary and secondary education is determined by the following formulas:

For primary schools with a number equal to or less than 41 weighted pupils:

$$V = N * (N_1 * A + B) / N_1 * K + R + I, \quad (2)$$

where:

V - the volume of allowances for a specific institution in the part relating to the expenditure envisaged;

N - the number of weighted pupils in a concrete institution;

N_1 - the admitted threshold of the number of pupils in the institution, 41 weighted pupils;

A - the normative value for a weighted pupil;

B - the normative value for an institution;

K - the coefficient of the administrative-territorial unit equal to 0.95, which cannot be less than this value (maximum 3% for the component of the administrative-territorial unit and maximum 2% for the inclusive education fund);

R - allocations to a specific institution from the component of the administrative-territorial unit;

I - allowances allocated to a specific institution from the Inclusive Education Fund.

For schools with a number equal to or less than 91 weighted pupils:

$$V = N * (N_2 * A + B) / N_2 * K + I, \quad (3)$$

where:

V - the volume of allowances for an educational institution;

N - the number of weighted pupils in an educational institution;

N_2 - the admitted threshold of the number of pupils in the institution, 91 weighted pupils;

A - the normative value for a weighted pupil;

B - the normative value for an educational institution;

K - the coefficient of the administrative-territorial unit, equal to 0.95, which cannot be less than this value (maximum 3% for the component of the administrative-territorial unit and maximum 2% for the inclusive education fund);

I - allowances allocated to a specific education institution from the inclusive education fund.

Below we present the funding of a high school based on the standard cost per weighted pupil for the 2017 budgetary year.

The volume of allowances estimated according to the formula is supplemented by spending on food. The volume of allowances for the year 2017 at the «Ion Luca Caragiale» Theoretical High School is calculated as follows:

The total number of pupils is 1,261

The normative value per pupil (A) is MDL 9,803.00

The normative value per institution (B) is MDL 449,572.00

Number of weighted pupils:

I-IV: $544 * 0.75 = 408$

V-IX: $459 * 1.00 = 459 \leftrightarrow 1,182$ weighted pupils

X-XII: $258 * 1.22 = 315$

$$V = (A * N + B) * K + R + I; \quad (4)$$

$$V = (9,803 * 1,182 + 449,572) * 0.95 = \text{MDL } 11,434,882.1.$$

As a result of the calculations we can state that the state granted MDL 11,434,882.1 to the educational institution

(high school) from the state budget for the financing of the educational services in the budgetary year 2017.

When calculating the volume of the allowance for the analysed lyceum for the budget year 2017, there are no allocations from the administrative-territorial unit (R) and no allocations from the inclusive education fund (I), of these parameters were not taken into account; they were foreseen for this institution in the calculation year.

Table 3 presents the dynamic growth of value norms for educational institutions in the Republic of Moldova.

The standard cost method, used for budget financing, establishes direct and indirect costs in advance. In the case of educational services, it is an orientating trend for the institution.

Tab. 3: **Financing of pre-university education based on standard pupil cost in 2014-2020, MDL**

Normative Value	2014	2015	2016	2017	2018	2019	2020
The amount of the normative value for a weighted pupil	6,929.0	8,771.0	9,603.0	9,803.0	10,445.0	11,218.0	11,986.0
The amount of the normative value for an institution	402,998.0	428,982.0	450,996.0	449,572.0	477,880.0	513,258.0	548,382.0

Source:

Methodological notes on the elaboration of the draft budgets by the local authorities for the respective years (MF of the Republic of Moldova);

Circular on the drafting by the local public administration authorities of 2018 draft budgets and estimates for the years 2019-2020 (Methodological notes, 2018);

Particularities regarding local public administration authorities drafting local budgets for 2018 and estimates for 2019-2020, Annex no. 1 at the circular of MF no. 06/27 of August 17, 2017 (Particularities, 2017).

Thus, when preparing the public budget (state budget), certain statutory costs, called budget costs or standard budget costs, are based on the establishment of functional budget expenditures (general government functions, education, health care, etc.).

Thus, standard costs are cost measurement standards, the purpose of which is tendency orientation and comparison with the actual ones. Although they are cost-measuring standards, they change according to a number of economic and social factors.

6. Conclusions

From the research on costs we can see the following:

1. Cost is an expense or an amount of expenditure determined by a product or place of business in which the good (product, work or service) occurs and a production cycle.
2. Costs have passed an evolutionary process, being impacted by the need for cost efficiency and resource consumption. Thus, actual costs are planned, standardised or preliminary costs. Standard costs are then referred to as standard costs or budget costs.
3. Standard costs are benchmarking of actual production costs to standard for strategic decision making.
4. From the point of view of the cost structure, analysis and impact on financial indicators, new approaches emerged in the first decades of the 21st century: full costs are abandoned and replaced by a cost-per-activity.
5. This new approach (cost-per-activity) is known as the ABC method (Activity-based costing). This new trend was considered by specialists as an innovation in managerial accounting at the end of the 20th century.
6. From our point of view, this model corresponds to the economic integration stage; the basic manufacturer cannot afford to have all the services necessary to prepare the product for delivery. The cost-per-activity model demonstrates that indirect costs significantly outweigh direct costs.
7. We also believe that the standard-based cost system can be applied more effectively with regard to public services, as in the case of the Republic of Moldova, with the financing of pre-university education on the basis of the standard cost per weighted pupil because there are three categories of costs: labour, materials and general expenses.

7. Recommendations

1. Standard costs should not be abandoned. They are a guideline, and a benchmark of scientifically established costs. Yet, they should be reviewed each year, reflecting the changes taking place in the country's economy. We see this phenomenon in determining the standard cost per weighted pupil at financing the pre-university education in the Republic of Moldova.
2. In agriculture, the notion of standard cost does not have to be standardised. This stage is past, outdated. At the same time, it is necessary to investigate the costs of activities.
3. We propose to use a parity price policy, which would balance inter-relationships, especially between agriculture and industry. This is a necessity determined by the economic character of the Republic of Moldova. Therefore,

the Ministry of Economy of The Republic of Moldova should calculate activity costs, new cost accounting and market pricing, giving priority to the primary producer, the raw material manufacturer.

4. The authors' research on the financing of gymnasiums has demonstrated the financial efforts made by the state to finance schools with a number of weighted pupils equal to or less than 41 weighted pupils or 91 weighted pupils. Expenditures are high, but the quality of studies is very low. The problem must be solved for the benefit of large district-performing schools. We believe that money spent inefficiently for the maintenance of schools should be directed to create the conditions for the children coming from small schools (gymnasiums) to conventional schools where there are highly qualified teachers.

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Received 20.06.2018

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