

PECULIARITIES WITH DETERMINATION AND MANAGEMENT OF TRANSPORT COMPANY COSTS

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Abstract: The reasonable determination, planning and control on transport company costs are the main factor for their effective management. A number of difficulties that appear with determining costs are connected with the specificity of transport activity.

The total company costs are determined by the type and structure of the transport company on one side, and on the other side, they depend on the different transport services offered.

Customers define the main demands for transport services that influence on the amount and structure of costs.

Cost management requires proper costs determination, monitoring and control.

Keywords: transport company costs, transport services, cost management, control cost.

1. INTRODUCTION

Regardless of their organizational structure, under the conditions of market economy companies have to solve problems related to their survival and prosperity every day. From that point of view, it is necessary for a commercial firm to consider its effectiveness and competitiveness analyzing its activity as a whole. Cost analysis is of great significance with characterizing the economic activity of each commercial firm. It is explained with the nature of costs as a basic factor determining the commercial service price and the degree of using the company's internal potential.

On the other hand, they have a direct influence on the outcome of the transport company business. Costs have different nature of appearance, functioning and existence. It is where the necessity to rationally determine, plan and control them occurs. It also should be taken into account the influence of the main factors that determine costs.

2. THE COSTS OF TRANSPORT COMPANIES

The costs of transport companies are an element of the transport service prices and at the same time they are a criterion for their setting. Their proper determination and calculation are a prerequisite for efficient pricing. The difficulties occurring with determining the costs of transport companies are connected with the peculiarities of activities being performed and their organization.

On one hand, the total company's costs determine the type, statute, size and structure of the company, and on the other hand, they depend on the different conditions and modes of transportation. The relations with customers are also of certain importance for the amount and structure of costs as customers determine the main requirements in terms of shipments. These main groups of factors interact and influence on the costs of transport companies.

Cost management includes three main stages:

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- Determination of actual costs;
- Cost analysis;
- Planning and control of costs.

A prerequisite of the implementation of these stages in practice is the use of a cost classification that should meet the following requirements:

- To be in compliance with the existing regulations of accounting;
- To be in compliance with the particular accounting reports and documents of the transport enterprise;
- To enable a comparison with the costs of other enterprises with the same or other activity;
- To reflect the peculiarities of the activities of transport companies;
- To allow the application of uniform methods of determining the costs and prime cost of shipments.

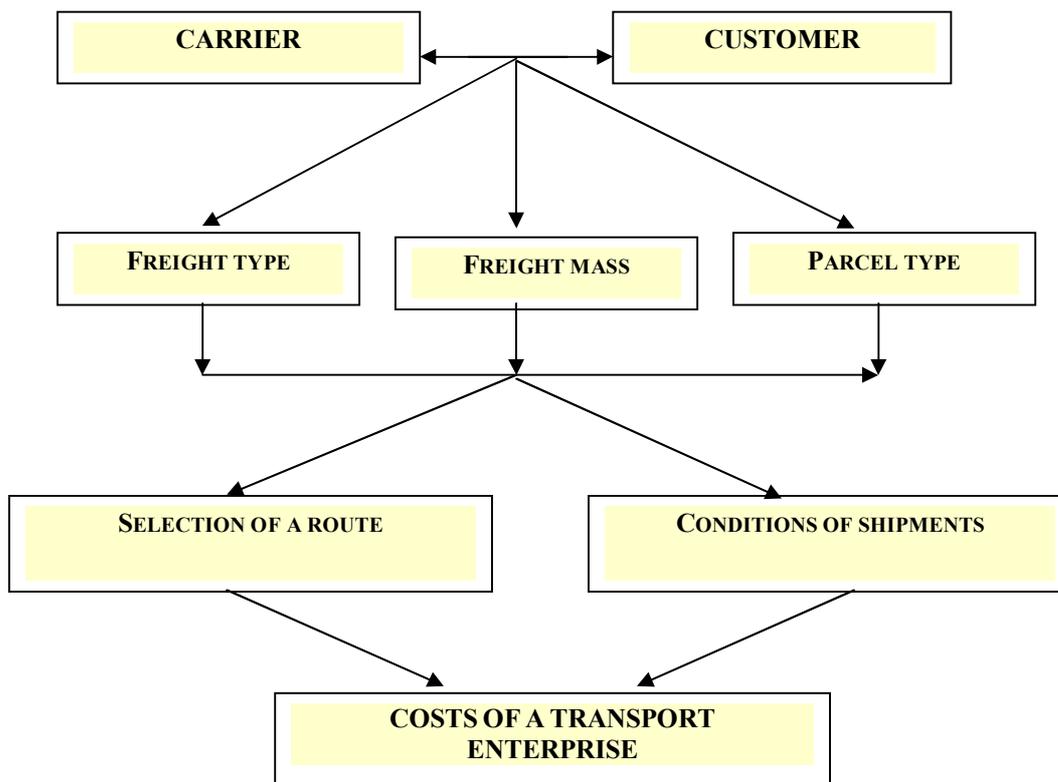


Figure 1

The selection of criteria and degree of costs differentiation depends on the accuracy and comprehensiveness of information available as well as on the purposes, which the classification has been made for.

To classify the costs of transport companies, except for the commonly accepted criteria, it is necessary to use criteria specific for individual modes of operation.

The great diversity of criteria used to differentiate the costs with their determination enables to implement methods of different accuracy and complexity depending on the information available.

On the other hand, the possibility to refer the same costs to different groups could result in errors with their determination as quantity.

The particular structure of costs and their amount depend on the specificity of company activity. The type of shipments, the kind of transport (domestic or international), the features of vehicle used, etc. Are also of great significance.

To determine costs, it is possible to use methods of different accuracy and complexity. The selection of an approach and method to determine costs depends on:

- The enterprise structure and range of activities;
- The type and number of shipments;

- The type and specialization of vehicles;
- The purposes of calculation.

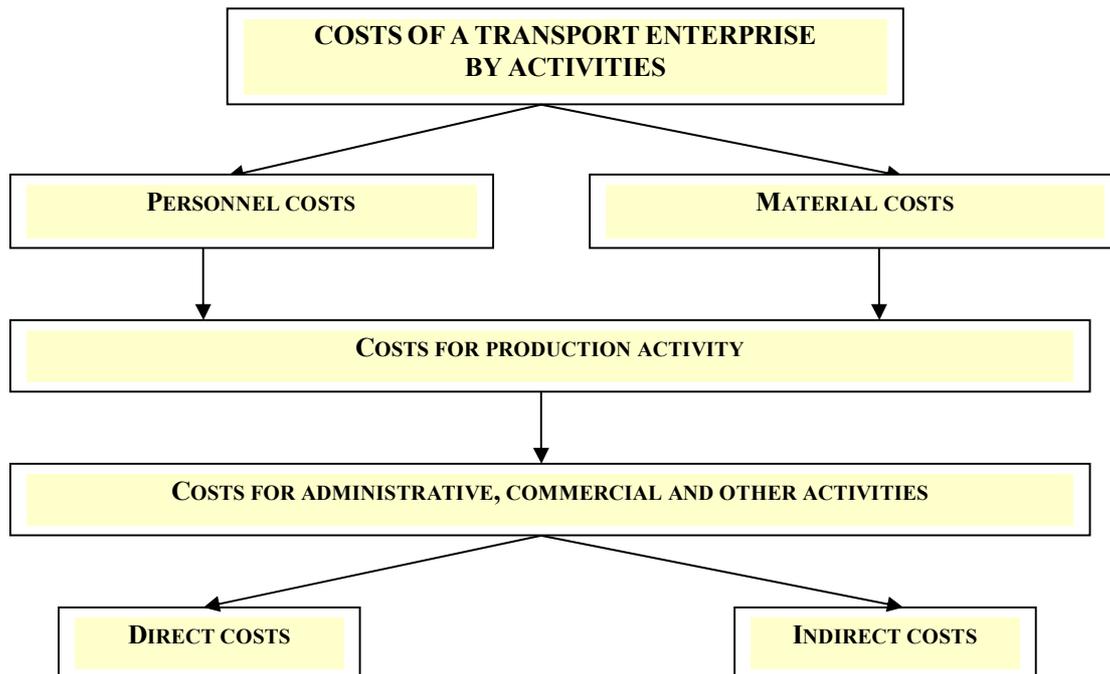


Figure 2

To carry out an adequate market policy, including prices, it is necessary to determine the costs and prime cost in transport companies in three aspects:

- For particular shipment;
- For a certain period of time by vehicles;
- For the overall company's activity for a certain period of time.

Before beginning the cost calculations for a certain shipment, it is necessary to establish the particular conditions, which it will be implemented under, and to ensure information that will be used for the quantitative assessment of factors influencing on these costs. It is necessary to have information about the route of shipment and the main technical and economic features of vehicles used. The charges paid with shipment are directly dependent on the particular route. The methods of determination and payment as well as the amount of charges vary by country and depend on the mode of transport, the type of vehicle, the type of freight, the crew's qualification and experience. The time of traveling depends on the conditions of shipment along a particular route. The time is determined by:

- Distance;
- Road conditions;
- Stays at borders;
- Places of loading and unloading;
- The time for the rest of crews, etc.

With determining the distance, the quantities of loaded and empty mileage should be considered as well.

The increase of the transport service efficiency without increasing the prime cost could be achieved by saving and rational use of raw materials, consumables and energy.

The costs of material and tangible nature present a big share, over 80%, in the prime cost of shipments. It is why the savings of these costs affects prime cost to a greater extent than the savings of salary costs. To retain the prime cost of transport services unchanged is possible not only by the relative reduction of material costs (for fuel, tires, energy per a unit of transport production), but also by the absolute reduction of these costs, i.e. By reducing technical standards.

For instance, the improvement of mileage coefficient reduces the relative share of costs of fuel and tires in the prime cost per 100 km of mileage but if fuel savings at 100 km of mileage and tire durability are increased, the prime cost will be reduced.

To save material, fuel, tires and energy, most of reserves could contribute, namely:

- Drivers' qualification,
- Control on fuel consumption,
- Condition of vehicles,
- Condition of road network.

Experience has shown that only the overrun fuel is registered in travel sheets and books. If there is fuel saving, it is not registered and is misappropriated by the driver or petrol station operator.

Besides the factors enumerated above, the fuel costs depend on the prices it is bought at. The companies that have bigger vehicle fleet could reduce the fuel costs, which have a considerable share in shipment prime cost, by building their own petrol stations. The delivery of fuel directly from producers' warehouses could reduce the price by about 30%. With filling from own petrol stations, it is easier also to control the quality of fuels that directly influenced on the fuel consumption and indirectly on other costs of the carrier occurring with the use of low-quality fuels (spare parts, repairs, costs for stay due to damages, etc.).

Fuel costs often could be lower than the calculated normative consumption due to the following reasons:

- The basic fuel consumption standard per a distance of 100 km has been calculated with a certain reserve;
- Vehicles are driven under conditions that are more favorable than those used to calculate the correcting coefficients for specific operational conditions: driving on warm days in the period from 1 november to 31 march; driving in regions of in big cities where there is no heavy traffic; transportation of light cargo; driving without air conditioning, etc.;
- Influence of subjective factors: drivers of different experience, psychological environment in the team; personal problems of drivers, relations with other participants in traffic, etc.

3. CONCLUSION

The human factor is of great significance to reduce fuel costs: the efficiency of work in a company depends much on vehicle drivers, supervisors and maintenance mechanics.

A particular important element in reducing prime cost is the availability of complete and reliable information about the fleet, routes of running, actual fuel consumption, etc. The information given by drivers, supervisors and mechanics is often contradictive and inadequate but it is not possible to make proper management decisions without objective information.

The main objective of each company in its business is striving towards the achievement of minimum costs and maximum gain. To increase the profit and the profitability of transport companies, the reduction of transportation costs is of great importance. The solution of this extremely difficult task depends on reducing the production costs with performing transport services. As the costs for fuel and lubricants present a big share of total production costs, transport companies develop an effective system for monitoring on planning costs and control on expenditures.

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