

## **PRIME COST MANAGEMENT OF TRANSPORT SERVICE**

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Prime costs are all of the costs that are directly attributed to the production of each product. Transport companies are facing management problems of enhancing operation efficiency at limited resources. The cost structure is characterized by the composition and ratio of individual cost items and cost elements in the total cost of transportation.

Usually the cost structure of a particular product considered in two sections: by cost elements showing the economic nature of costs; by cost items characterizing the place of their origin and cost direction [1].

Grouping by cost elements is necessary to identify the needs of the enterprise in material, labor and financial resources. At transport enterprises, the costs that form the cost of transportation, in accordance with their economic content, are recommended to be grouped into the following elements: material costs, labor costs, and deductions for social needs, depreciation of fixed assets and other expenses.

The element “Material costs” reflects: the cost of fuel, heating of buildings and structures, the cost of car tire wear, the cost of consumables for maintenance. The element “Labor costs” reflects: payment of wages for actually performed work, payments in the form of various additional payments and allowances, payments under bonus systems for production results of work, payments of special types of bonuses. The element “Deductions for social needs” reflects mandatory contributions according to the norms established by law to the fund for social protection of the population. The element

“Depreciation of fixed assets” reflects the amount of depreciation deductions for full restoration, calculated on the basis of the book value of fixed production assets and the norms approved in the prescribed manner, including accelerated depreciation of their active part. The element “Other expenses” includes the following components that are of vital importance: land tax and other types of taxes, fees, payments; travel expenses in accordance with the norms established by law; rent; leasing payments; expenses for advertising and marketing activities [2]. When planning, accounting and calculating the cost of transportation, the costs associated with their implementation are grouped into the following cost items: basic and additional wages of personnel involved in transportation; deductions to the budget and off-budget funds from funds for wages; fuel; lubricants and other operating materials; repair of car tires; repair and maintenance of rolling stock; depreciation of rolling stock; general business (overhead) expenses.

In conclusion we can say that prime costs are direct costs, meaning they include the costs of direct materials and direct labor involved in manufacturing an item. For a correct and accurate calculation, it is necessary to take into account many factors, such as the cost of fuel, the cost of transport maintenance, the salaries of drivers, etc. This is the only way to get the real cost of transportation. Moreover, with high transportation costs, it is necessary to find ways to reduce costs in order to remain competitive in the market.

## **References**

1. ResearchGate [Electronic resource]. – Mode of access: <https://www.researchgate.net/>. – Date of access: 24.03.2023.
- 2 IGZ Logistics [Electronic resource]. – Mode of access: <https://www.igz.com/> – Date of access: 24.03.2023.