

Practical essay

WAYS TO REDUCE COST IN AN ENTERPRISE

# INITIAL DATA AND INSTRUCTIONS

1. The individual task for the seminar
2. Get acquainted with the situation on the enterprise
3. Choose directions to reduce costs
4. Describe your choice and, if possible, calculate all the possible prove your solutions by calculating indices for every offered thesis
5. Write the opinion essay
6. You may be assessed at 10 points if your essay :
  - is full, proved with your calculations (1-3 points)
  - contains your reasoning and analysis (1-4 points)
  - is original, gives the conclusion and the plan of strengthening of the situation

EVERY WORK MUST DIFFER BECAUSE THERE ARE NO ONE CORRECT SOLUTION BUT THE VARIETY OF THEM!!!

## Enterprise description

1. Plant for the production of special and construction equipment JSC "Swift" (established in 1992):

- Authorized capital 80 billion rubles.

- **Property (data - for the current year):**

buildings – 170 million rubles (12 000 m<sup>3</sup>, including inventories – 7 000 m<sup>3</sup>, workshops for preparation, installation and packaging – 3 000 m<sup>3</sup>, utility rooms - changing rooms, showers, canteen and restaurant - 2 000 m<sup>3</sup>);

power plant – 1 200 billion rubles;

raw materials, purchased components and semi-finished products – 12 400 billion rubles;

wage fund – 52 000 billion rubles.

Loan payments – 1 800 billion rubles per year.

Hospitality expenses (office, electricity, fuel, energy, business trips, etc.) – 2 000 billion rubles per year.

**Maximum production capacity** – production of 8000 units of small excavators, asphalt pavers and snow groomers per year.

**Sale price**: for the “Mole” excavator - 620 thousand rubles; asphalt paver "Beaver" - 410 thousand rubles; snow groomers "Viking" - 390 thousand rubles (is reasoned by market demand).

## 2. Productional costs:

- The total production cost of the “Mole” excavator is 640 thousand rubles; asphalt paver "Beaver" - 370 thousand rubles; snow groomer "Viking" - 400 thousand rubles.
- FC include deterioration (amortization) – 137 billion rubles per year, salary of permanent staff – 28 000 billion rubles per year.
- VC: per 1 excavator – 600 thousand rubles, per 1 asphalt paver – 250 thousand rubles, per 1 snow groomer – 270 thousand rubles.

### 3. Internal and external environment:

- On the market for snow groomers, a surge in demand for them occurs in the winter season, asphalt pavers and excavators - in the spring-summer.
- Enterprise pays large fines for environmental pollution (140 million rubles per year).
- The scrap rate when assembling excavators is 3% of the total unit cost of output.
- Suppliers of components for the production of asphalt pavers require an advance payment of 50% of the delivery amount.
- In the inventories of the enterprise the surplus stocks of raw materials of excavators are formed in the amount of 800 million rubles per year.
- The Enterprise's receivables amount to 2 billion rubles per year, incl. 1 300 million rubles from buyers of excavators, 600 million rubles from buyers of snow groomers, 100 million rubles from buyers of asphalt pavers.
- The restaurant brings the company income in the amount of 1 300 million rubles per year, and canteen - a loss of 1 100 million rubles per year.