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FACTORS AFFECTING THE PRIME COST OF PRODUCTION

The growth of production efficiency consists of many interrelated elements and factors that characterize the level, dynamics of the work of an enterprise and its result. One of the indicators of production efficiency is to reduce the prime cost of production. The prime cost is the main source of profit growth and increase of the production profitability.

The prime cost of production is a complex concept and it depends on the influence of many different factors. All factors can be classified into two categories: of external origin, that is, those outside the enterprise and of internal origin. External factors include:

- a change in prices for semi-finished goods, fuel, energy, materials and other tangible assets received by the organization for production needs;
- change in the minimum sustainable wage, as well as various mandatory contributions, accruals and deductions.

The main factors of internal origin are:

- reduction of the cost of salaries, related to the manufacturing of products;
- increase and improvement of the productivity of personnel;
- reduction of materials cost for the manufacture of products;
- elimination of defective goods and related losses, etc.

One of the main factors in reducing the prime cost is an increase of the technical level of production. This is achieved through the introduction of up-to-date technology, automation and mechanization of production processes; the use of new types of materials and raw materials; changes in technical characteristics of products, as well as other factors that increase the overall technical level of production. The degree of influence on the structure and the level of the prime cost of production differ for each separate group of factors. For example, if the output is increased to a certain boundaries, lowering the cost of production is carried out by reducing the share of fixed costs that fall on a unit. The prime cost can also be reduced by increasing productivity, and improving skills in the work.

So, we can reach the conclusion that the prime cost of an enterprise production depends on a large number of different factors, namely: efficiency, productivity, production and its quality, as well as the volume of production. Reducing cost is an important factor in the profit growth and it is an indicator of enterprise efficiency as a whole.

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