

## **The Role of Information-Consulting Service in Efficiency Increasing of the Use of Limited Resources in the Agrarian Enterprises**

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**Abstract:** The existing problems in development of commercial budgeting and the role of information and consulting service in economic efficiency and stability of the enterprises are considered in the study. Budgeting assumes development of the plans-budgets allowing to predict indicators of activities of the entity both in long-term and in the short-term period. At the same time fixed coordination both current (short-term) and strategic (long-term) budgets is necessary. Budgeting has industry features. At the same time, it depends on a set of factors inherent in the specific organization. Therefore, the entity needs not just to choose often one of the existing budgeting models but also to adapt it for specifics of the organization.

**Key words:** Information and consulting service, budgeting, cost efficiency, cost value, production process

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### **INTRODUCTION**

The problem of efficiency is solved at all levels of economy by society in general and its separate enterprises (firms) and their economic divisions. The category of efficiency reflects the communication between resources and purposes of production in all levels. As requirements of society are boundless and resources are limited, there is a problem of the maximum satisfaction of requirements by the best, fullest use of resources. Any commercial enterprise assumes the main objective generation of profit. The Information and Consulting Services (ICS) are urged to give help and to take part in development of concrete actions for the enterprises seeking for receiving the maximum profit. Necessary profit level allows to solve the whole complex of the problems causing both stability and efficiency of this business and creation of the material basis for realization of economic functions of the state (by assignment of taxes). Correlating profit and resources spent for its receiving, it is possible to judge efficiency of the firm's activity in general (Bekeshev, 2012).

### **MATERIALS AND METHODS**

**Analysis of rendering process of information services:** LLP "Kosmis" which is engaged in production and

processing of milk and dairy products addressed to the information and consulting service. As a result of the analysis made by the ICS the tendency of decreasing the indicators of economic efficiency in 2014 both in relation to 2013 and by 2012 was revealed. It is connected with the influence of a number of negative factors from which it is possible to distinguish the following (Borisovsky, 2012):

- Incomplete loading of capacity of the enterprise
- High competition in the market of this production
- Advancing of the growth rate of prime cost over the growth rate of production costs

LLP "Kosmis" should find and involve potential reserves of growth of production economic efficiency and product sales. Reserves of increase of economic efficiency of the enterprise's activity are understood as the unused and constantly arising possibilities of growth and improvement of production, improvement of its end results (increase in release and product sales, decrease in its prime cost, profit markup (income)). Reserves of production are characterized by a gap between the reached condition of use of production resources and perhaps their fuller use due to eliminations of losses and irrational expenses, introduction of achievements of science and technology. The systematic organization of search of production reserves is possible only when there

is a clear idea of character and places of their emergence. Fundamental value for identification of allowances of production is in their classification in relation to a production process according to which external and internal allowances of the entity are differentiated.

Such division of allowances helps to organize their search better and to estimate the opportunities which are depending and not depending on the entity. Treat external allowances: economic allowances which are created on joints of industries; industry, connected with deepening of intra-branch cooperation and specialization; regional, district, depending on security with local raw materials, distribution of labor and natural resources of climatic and zone distinctions, cooperation and specialization of the entities of different departments but located in the territory of this region, area, economic region. (Dambaulova, 2010).

External allowances are as a rule, connected with deepening of specialization, concentration and cooperation of production, enhancement of system of material logistics, sale, pricing, forming of the product demand.

Internal allowances reflect possibilities of this specific entity. Places of their concentration are the entity, shop, production site, crew, workplace, cost center, profit center. In each of these divisions three groups of allowances according to three elements of production process-improvement of use of the fixed business assets and the equipment (labor instrument), material resources (objects of the labor) and a manpower are calculated.

The first problem-incomplete utilization of capacity of the entity requires increase in production. The less the difference between potential and actual volume of production, the higher the level of the organization of production capacities' using. The organization of an intensive use of production capacities of the entity causes the need of the solution of two tasks: first, mobilization of allowances of increase of capacities' proportionality by enhancement of creation of system of machines of separate divisions and entities in general; secondly, rational use of production capacities by enhancement of an economic mechanism, system of material stimulation. The solution of these tasks mobilization of internal allowances of increase in production and improvement of all technical and economic indicators of activities of the entities are the efficient lever.

According to the chief technologist of the entity, only production lines on production of cheese work at full capacity. All others are characterized by underproduction of production. It, in turn, leads to that products of production of one production involved in quality of raw

materials for production of other production remain unclaimed and lead to emergence of non-productive costs and losses.

It will be rather difficult for the entity to bring production capacity coefficient to 100% immediately. However, if we plan the production capacity coefficient at the level of 85% for 2016, it will appear a feasible task for the entity, besides it will lead to essential increase in production. The total amount of production of the entity will reach 30920,6 tons. Taking into account current prices of 2014 the cash proceeds from sales of production in 2016 can be 382847,3 thousand tenges. With a growth only of the variable and remaining invariable fixed costs it will lead to an essential profit increase.

## RESULTS AND DISCUSSION

**Formulation of recommendations about improvement of activities of the entity:** LLP "Kosmis" functions in conditions of severe competition. Therefore, specialists of the entity need to take regular measures directed on increase of sales volume and involvement of consumers. An effective remedy of increase of sales volume is carrying out actions for promotion of goods, share or promotion action. Actions for promotion of a product gained recognition at producer companies for a long time. Researchers of the study are the main contractors of this scientific research which is carried out on contractual conditions as they executed such orders more than once. (Yefimova, 2012).

The essence of the offered promotion share which will be the most acceptable for the organization in these developed market conditions consists in provision to the retail seller who in case of adoption of the supply requisition of production is the client of the organization, of a small gift if he will order goods on a certain amount. The benefit of this share is that the bonus for a purchase is received not by the organization or the individual entrepreneur of an outlet but direct the one who performs the request (in most cases they are hired employees, sellers of retail stores). Because of strong price difference of implementable products, it is reasonable to offer different bonuses on different types of goods. Carrying out promotion action on group of goods "milk and cream" as they constitute the widest assortment list and the most numerous group of all goods items is the most profitable. Promotion share looks as follows: in case of the order of dairy products for the amount of 35000 tenges the gift in the form of 1 L of milk (2.5%) worth 150 tenges and 1 box of cream weighing 200 g and worth 230 tenges is issued to the buyer. Thus, attraction costs of one outlet and obtaining from it one order will be 380 tenges. The

Table 1: Calculation of expected profit on carrying out promotion action

| Indicators  | Measure value |
|---|---------------|
| Total quantity of the outlets in Kostanay served by LLP "Kosmis"                        | 70            |
| Number of orders  | 3900          |
| Number of orders on promotion action  | 1170 (30%)    |
| The cost of a bonus for one order on promotion action (tenge)                           | 380           |
| Total cost of bonuses (one thousand tenges)   | 44600         |
| Order size of milk and cream on promotion action (tenge)                                | 35000         |
| Average order size of milk and cream without promotion action (tenge)                   | 25000         |
| Revenue from carrying out promotion action from one outlet (without a bonus) (tenge)    | 10000         |
| Cost value of the order (tenge)   | 4700          |
| Profit on carrying out promotion action from one outlet (without a bonus) (tenge)       | 5300          |
| Total sales from carrying out promotion action (one thousand tenges)                    | 11700         |
| General profit on carrying out promotion action (without a bonus) (one thousand tenges) | 6201          |
| Profit on carrying out promotion action minus bonuses (tenge)                           | 5756          |

real effect from this promotion action can be counted only in case of its carrying out, at least of 5 days that the developed implementation tendencies in case of implementation of the share to extrapolate on a future period and to determine its efficiency within a month or half a year. Now it is only possible to assume. If we take a condition as a basis that from all orders within a month on promotion action will work 30% that is the order will constitute from 35000 tenges only for milk.

From Table 1, it is visible that the general profit on carrying out promotion action will constitute 5756 thousand tenges. In a general view it is calculated as a surplus of proceeds from sales of milk and cream in comparison with the regular average order of this production that is without carrying out the share, minus its cost value and costs for bonuses.

By the same principle as actions for promotion of milk and cream, it is possible to create promotion actions on sale of any other production made in LLP "Kosmis" for example of cheese production which also occupies rather big share in sales amount. Implementation of the offered actions will allow raising the income of LLP "Kosmis" in general.

In case of cost analysis on production it was revealed that in structure of cost value the greatest specific weight (>80% annually) is occupied by costs for raw materials and materials (Bakadorov, 2011). The part of raw materials and materials of LLP "Kosmis" purchases at the Russian entities, working generally through intermediaries, thereby, increasing staple prices and therefore, the amount of material costs. If we purchase part of materials at manufacturers, it is possible to perform economy on a number of material costs. So, an alloy for cheese of LLP "Kosmis" buys through intermediary firm JSC "Molprodukt". If we buy directly from manufacturer (JSC "Lanvit", St. Petersburg), it is possible to lower purchase costs of this type of raw materials significantly. However, specialists of the entity will need to conduct independently negotiations and to sign the agreement of deliveries.

The allowance of decrease in material costs ( $R \downarrow MZ$ ) for production of the planned production due to carrying out purposeful actions can be determined by Eq. 1:

$$P \downarrow M3 = (\Pi P1 - \Pi P0) \times VB \Pi_{\text{пл}} \quad (1)$$

Where:

$yP_0, yP_1$  = The price of acquisition of materials per unit of production respectively before implementation of actions

$VB \Pi_{\text{пл}}$  = Planned amount of production

We will execute calculations:

$$P \downarrow M3 = (337,89 - 350,84) 705 = -9129 \text{ thousand tenges}$$

Therefore, the economy of material costs on production of cheese production will constitute 9129 thousand tenges due to transformation of the sales channel of production.

**Economic efficiency of the offered actions:** Cost efficiency of activities of LLP "Kosmis" is determined taking into account all action, directed on the problem resolution, revealed in the course of carrying out research (Table 2). For measuring calculation of cost efficiency it is necessary to determine how indicators of financial results after implementation of the offered actions will change.

Cash revenue which in 2014 constituted 318900 thousand tenges will increase by 63947,3 thousand tenges due to the growth of loading of use of production capacity of the entity and by 11700 thousand tenges due to the growth of sales volume by results of carrying out promotion action. Thus, cash revenue can constitute 394547,3 thousand tenges (growth rate in comparison with 2014-1,237).

In case of increase in sales volume as a part of costs only variable costs will grow but there will be invariable

Table 2: Problems of increase of cost efficiency of the entity and action for their decision

| The revealed problems   | Action for elimination of problems  | Economic effect of implementation of actions   |
|---|---|--|
| Incomplete loading of production capacity of the entity                                   | Increase of utilization rate of production capacity of the entity from 69-85%                                     | Growth of production volume to 30920,6 tons (for 23, 2%)<br>Growth of cash proceeds from sales of production to 382847,3 thousand tenges (for 20%) |
| High competition in the regional market of this production                                | Development of promotion action in case of implementation of the production group "milk and cream"                | Growth of sales volume by 11700 thousand tenges; A profit increase for 6201 thousand tenges  |
| Advancing of growth rate of cost value over growth rate of production costs of production | Decrease in material costs by an exception of the intermediary of a raw materials supply channel (a cheese alloy) | Economy of material costs on production of cheese production for 9129 thousand tenges  |

Table 3: Financial results of activities of LLP "Kosmis" on prospect

| Indicators                            | 2014 year | 2016 year | Growth rate (%) |
|---------------------------------------|-----------|-----------|-----------------|
| Cash revenue (thousand tenges)        | 318900.00 | 394547.30 | 123.7           |
| Costs (thousand tenges)               | 297011.00 | 349122.40 | 117.5           |
| Profit (thousand tenges)              | 21889.00  | 45424.90  | 207.5           |
| Costs for 1 tenge of products (tenge) | 0.93      | 0.88      | 94.6            |

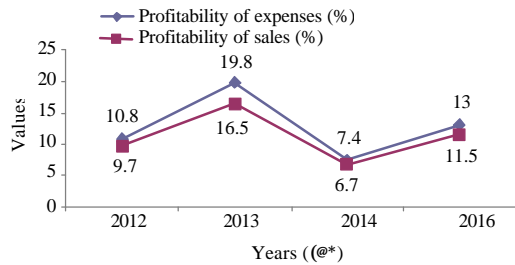


Fig. 1: Efficiency of activities of the entity on prospect

fixed costs. In 2014 in structure of product cost variable costs constituted 87%, fixed costs -13%. Then the surplus of costs will constitute:

$$297011 \text{ thousand tenges} \times 87\% \times 1,237 + 38611,4 = 358251,4 \text{ thousand tenges}$$

It is necessary to subtract economy of production costs of cheese production (9129 thousand tenges) from this amount. Then the total amount of costs will constitute in the long term 349122,4 thousand tenges (Table 3).

The advancing of growth rate of cash revenue over growth rate of costs will lead to increase in profit more than twice (for 107%). Costs for 1 tenge of products will decrease by 5.4%.

Figure 1 allows to provide how the efficiency by years of the analyzed period, including perspective year will change.

## CONCLUSION

In a planned year indicators of cost efficiency will significantly increase and will exceed the level of 2012 which was the most profitable for the entity in the analyzed period. Thus, the tasks set for the information and consulting service are executed and the purpose is reached.

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