

**REPORTS OF THE NATIONAL ACADEMY OF SCIENCES  
OF THE REPUBLIC OF KAZAKHSTAN**

ISSN 2224-5227

<https://doi.org/10.32014/2019.2518-1483.86>

Volume 3, Number 325 (2019), 152 – 159

UDC 336.717.6

**Zh. T. Yeveskina, M. Zh. Zharylkassinova**

Narxoz University, Almaty, Republic of Kazakhstan

[Shanart72@mail.ru](mailto:Shanart72@mail.ru); [37407075@mail.ru](mailto:37407075@mail.ru)

**THE PROBLEMS OF THE SYSTEM OF COST ACCOUNTING  
IN BANKS OF THE SECOND LEVEL**

**Abstract.** As you know, the role of the banking sector is great. In modern conditions of financial market development, banks are the main source of financing for various sectors of the economy, such as industry, trade, agriculture, etc., and also have a great importance in protecting the country from financial crises. On this basis, the need to apply a cost accounting system in such a vital sector is important, in order to control costs, measure the costs of various processes and provide the necessary analytical and detailed data based on scientific standards to make informed decisions.

The article discusses the role and importance of the formation of an effective cost accounting system in banks, as well as the problems of calculating the costs of banking operations in Kazakhstan.

**Keywords:** cost accounting in banks, cost calculation, bank accounting, direct and indirect costs.

**Introduction.** Accounting reform ensured the adequacy of the accounting system of Kazakhstan to the requirements and characteristics of a market economy, allowed to form a new conceptual apparatus corresponding to the current level of development of accounting science and world trends [1]. Nowadays banks need the cost accounting system for making important decisions, since cost accounting system has direct influence on bank profitability, also on its ability to quick adaptation to changing market conditions, in order to save competitive positions. Moreover, the data provided by cost accounting system is important for making decisions on the cost of banking products, establishment of budgets and cost reduction [2]. All this indicates importance of cost accounting system in banks, especially in making various decisions, in particular, such as the prices of bank operations.

Despite the importance of cost accounting system in banks, for today in Kazakhstan it had not had adequate development. As a rule, in Kazakhstan, accounting standards that are established by banking system regulators, traditionally makes starting point helping banks to form their accounting policies. At the same time, internal features of banking products and process of their formation create difficulties of application of traditional cost accounting system in banks. These causes range of problems for banks when forming cost accounting system. First, banks speak as the main financial intermediaries at the market that complicates traditional cost accounting. Secondly, capital redistribution which is carried out as a result of fundraising and its further transformation in certain banking products, such as credits, securities, etc., creates problem of determination of results and costs. Thirdly, it is a syndrome of constant expenses and limit income, complexity of distribution of indirect costs on cost objects.

In the meantime, development of banking system of Kazakhstan, information technologies, increased competition led to the corresponding high-quality changes in cost accounting system of banks. In particular, as a result of rising competition in the banking sphere and margin reductions banks had to attach the increasing importance to planning and control of their non-financial costs. Development of IT technologies led to application of various software on cost accounting in banks. However, despite it, the problem of formation of effective cost accounting system remains unresolved. In addition, accounting is important for making effective management decisions [3].

**Literature review.** In world financial literature there are many researches concerning essence and need of cost accounting system in banks. For example, Ahmed, N.R. notes need of studying of pricing on

banking services, which has the specific features in view of the fact that banks produce nothing and pricing very strongly depends on a human factor [4]. Bhasin M.L. writes that practice of cost accounting is always deliberate attempt to get unjustified advantage to accountants and managers of banks [5].

Ability to develop banking products (services) with the minimum costs and to reach savings in this process plays a key role to define, how successfully banks will function [6].

Choice of calculation system and its project is crucial for bank, since if cost calculation provides information on inexact costs of bank, then the management can make incorrect and inefficient decisions [7]. Such decision depends on various contextual, organizational and cultural factors and it is especially important concerning banks, as their cost structure generally consists of indirect costs [8].

The content and structure of costs influences the order of calculation accounting of products, the system of planned calculations and characteristic of the obtained data on prime cost of a banking product [9].

As mentioned, importance of the banking sphere in economy is huge. The banking sphere and level of its development reflects the level of economy health. Banks contribute to the development of production processes, distribution, exchange and consumption, allowing economy to develop and grow [10]. Therefore if banks do not create the effective system of cost calculation, these could cause wrong decisions that will lead to negative consequences for economy. If the bank has no effective cost accounting system, the data provided by such system can be inexact. For example, data on profitability of certain banking product can be incorrect that can lead bank to choose the wrong set of profitable products. This, in turn, can lead banks to overrate the credits and, as a result, will lose potential profitable clients. Therefore, it will cause damage to economic development of the country.

Evaluation and measurement of using money is complexity of cost accounting system in banks. For example, industrial companies create certain tangible product, which is easy to identify and estimate its costs, but banking services are non-material and estimation of their cost is rather problematic [11]. Besides, if some divisions of bank carry out one or two bank operations, then others carry out much more, and this complicates the way of defining of the extra charge added to operations by each department before the service reaches the client. Moreover, it is difficult to bank to define specific goals of use of the most part of the money [12]. Deposits have several types, some of them connected with date, savings or current account, and each has an interest rate. The prices of each type can also differ from time to time and from client to client. Besides, there is a difference in the cost of the credits as sources of their financing are various. Thus, bank management has to be completely informed on cost details because of their influence on profit calculation for evaluation of prices and marketing strategy.

**Results.** Calculation of bank operations is decisive factor of bank profitability and its ability to adapt to the market. The cost of definite bank operation also depends on structure of the market in general and on the competition in providing certain services, in particular. Importance of decision on prices of banking services increases in connection with modern achievements in bank operations, on the one hand, and fierce competition between banks and other non-bank financial institutions, on the another hand.

Thus, based on the previously mentioned it is possible to mark out some characteristic features of banking business, which affect cost structure and their calculation system (figure 1).

As far as we can see, the considerable weight of indirect costs in relation to cost objects, that complicates their tracking in the relation the cost of objects, is the most relevant factor affecting applicability of various cost systems in banking institutions. In the same way, considering that the most part of the operations, which are carried out by banking institutions, has the repeating character and is subject to standardization, it gives the chance to consider a question of calculation of costs of these operations and their distribution by cost objects, and also to enter use of standard costs as the instrument of planning and control.

Classification of non-financial expenses of banking institutions can be useful when studying applicability of various cost systems to banks. In this case, the difference between transformational and overhead costs is the most important. Transformational costs are costs, which are generated in profit centers and in operating activities while overhead cost are the cost of the centers of the general service.

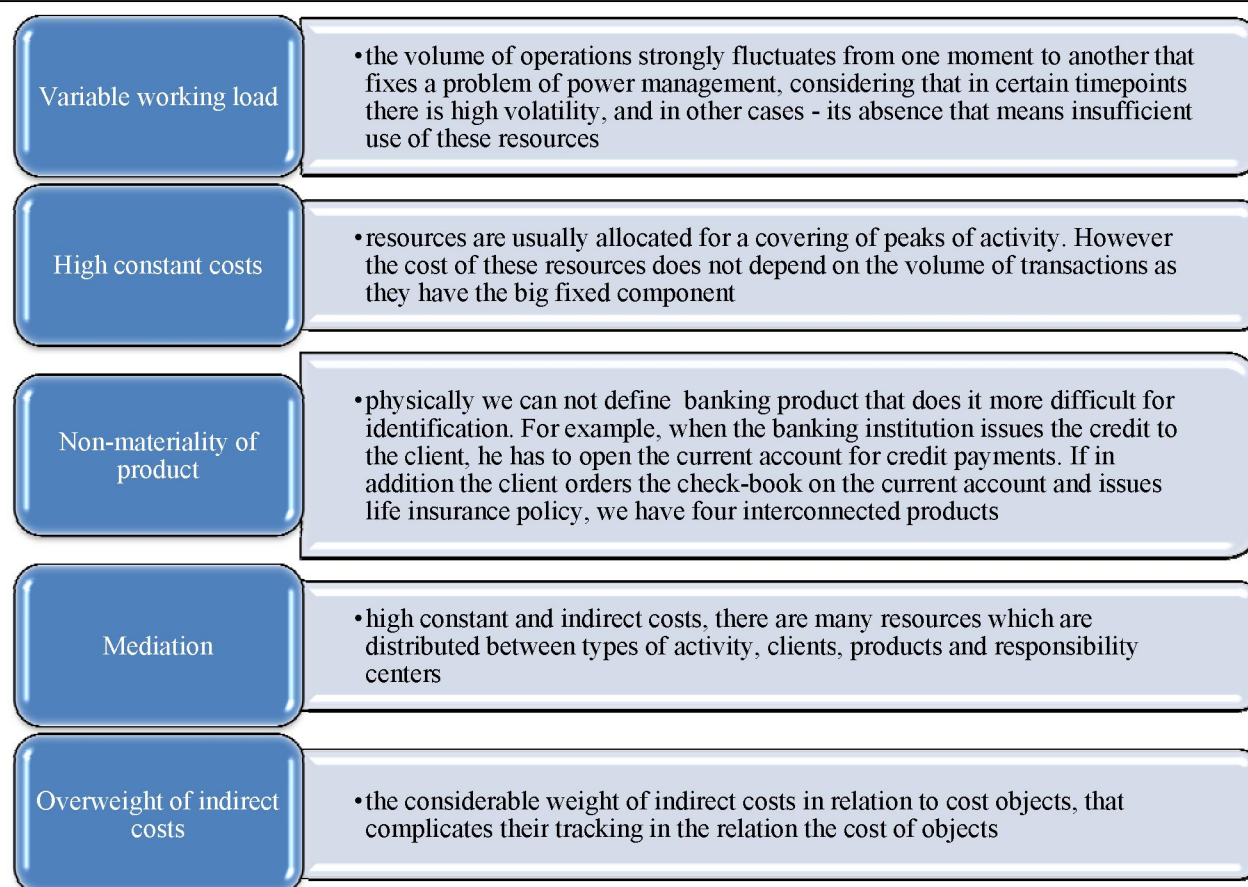


Figure 1 – Features of cost accounting banks

As a rule, expenses of these centers are directly or indirectly connected with consumption of products and services by clients. At the same time, costs of transformation can be divided into direct and indirect costs depending on their relation to cost objects. Direct costs are those costs, which can be unambiguously and directly allocated to cost objects; otherwise, their distribution is controlled economically individually. Indirect costs are costs, which cannot be distributed directly between cost objects as there is no exact distribution of funds which allows us to evaluate consumption of these costs by cost carriers.

As a result, the total cost of banking service consists of constants and variable costs.

It should be noted that significant amount of costs in banks is dual in character, if to look on the basis of the previous criterion of classification, to the extent in which certain costs can be straight lines in relation to branches network, but indirect in relation to products and clients. In banking institutions cost demanding distributions, generally correspond to costs of personnel, depreciation and other total costs, which despite of the fact that it is difficult to distribute them between clients and products are, as a rule, easier for distributing on the responsibility centers.

The second category of expenses corresponds to overhead costs, which are generated in the organizational centers of bank. These costs are generated by various functions connected with management, administration, organization and control. As a rule, they are indirect in relation to all cost objects.

These costs are considered as the expenses intended for support of all bank functions and as such, they do not depend on the volume of services, the existing product lines and the markets, which they serve.

The traditional calculation systems assign such costs first of all to the centers of costs, which usually correspond to departments in an organizational structure of bank. Besides, the traditional cost calculation system is the system based on the volume, as she uses indicators of volume of services (in terms of production), such as working hours or number of checks, as a basis for distribution / assignment of these



overhead costs or indirect costs to cost objects. It means that such cost objects as products and services, consume overhead costs highly in comparison with quantity of the made units of production, for example, in the industrial companies. In other words, it is supposed that the production of product or service is higher, the its overhead costs are higher.

In world practice it is accepted to divide two types of cost accounting system in banks: partial and full.

The partial system considers only direct costs for cost object conversion and does not assign indirect costs for conversion and overhead costs which are just distributed in places of emergence of costs or divisions. Application of \ system of partial costs in the bank sphere generally is a consequence of existence of considerable volume of the total and joint costs in relation to different objects that complicates their distribution to the cost of objects. But at the same time, considering that direct costs are usually quite insignificant and that variable costs can be practically absent, and it is difficult to measure their results, evaluation of efficiency and effectiveness by means of partial cost system seems excessively limited approach. At the same time, such structure of costs helps to explain why banking institutions pass to the overall cost of an accounting system more slowly, than it is done by the companies of other sectors of economy.

However, as the mass of indirect costs gradually increases, direct costs system or the system of contributions become less and less important for the purposes of planning and control, though all this is still applicable to certain special types of decision-making. Therefore the partial system of cost accounting has limited application in case of multidisciplinary organizations, including the banks having the high level of indirect costs. Therefore, considering structure of costs of banking institutions (prevalence of the fixed indirect costs), the margin received for cost objects by this method can be insignificant.

Besides direct costs, the system of full cost also distributes everything or a part of their indirect costs of cost objects. The traditional methods of full cost accounting applied to banking are based on creation of the cost centers, as a rule, connected with organizational structure, which then transfer the costs of various organizational units, products, clients. The full system of cost accounting assumes consecutive distribution of non-financial expenses between various centers of responsibility as it is visible in figure 2.

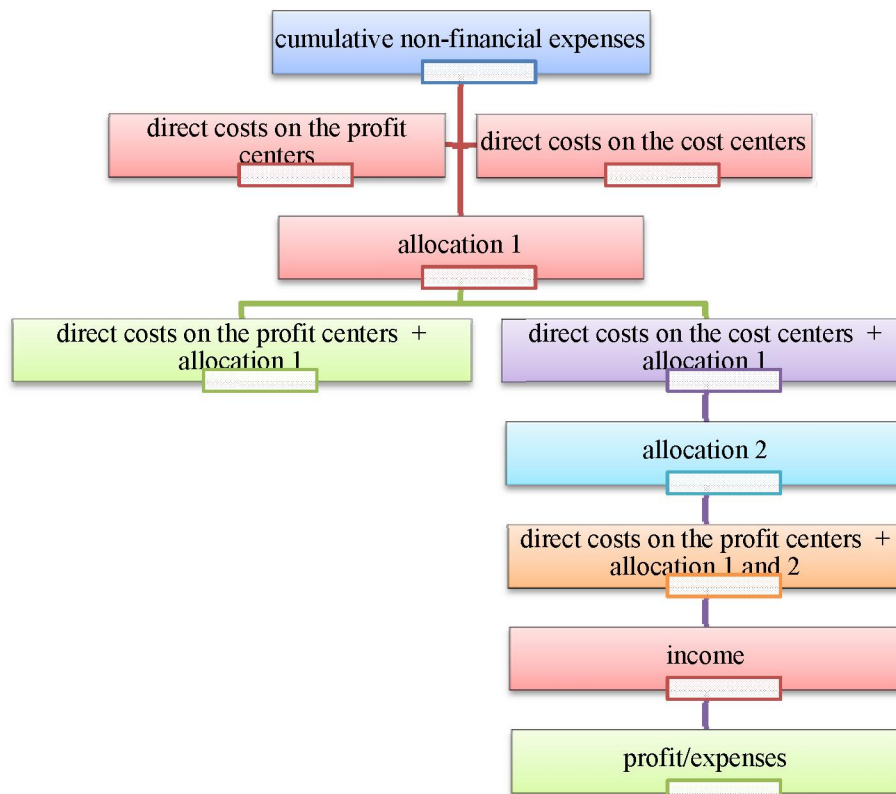


Figure 2 - System of full cost accounting

Note: made on the basis of a source [13]



Considering the above, it is possible to draw a conclusion that application of any of the traditional systems of accounting leads to a paradoxical situation. On the one hand, when choosing a system of partial costs and considering only direct costs on final cost objects, there is a situation when only direct costs can be carried to cost objects, whereas the others which are indirect are not considered on the centers of responsibility, products or clients.

On the other hand, when choosing a system of overall cost, it is possible to face a number of restrictions. Many authors considering systems of cost accounting in banks claim that the traditional systems of accounting applied in the bank sphere assume that influence of indirect costs is ignored, despite the fact that what variety of operations and what difficult impact are had on indirect costs [14], [15].

Besides, as banking institutions develop new banking products for the purpose of the satisfaction of new competitive requirements, the specific weight of indirect costs in their structure increases as costs of market researches, marketing, introduction of new products, automation of transactions, new technologies, etc. obviously grow. Besides, the number of the factors influencing costs which were used for reference of indirect costs of cost objects are not enough, that complicates identification of differences between accounting of various services in bank. Therefore, it is almost impossible to trace costs, and it complicates their accounting and improvement of their management. Thus, the system of full costs, which distributes indirect costs on several categories on the basis of business volume can be acceptable in the industries where the share of indirect costs is rather small, and the volume of services is rather uniform. However it is not applicable for the companies with several non-uniform products which are difficult for measuring and which have high percent of indirect expenses. It, first of all, belongs to banks.

As it was already mentioned above, traditional allocation of costs is often based on the volume, such as quantity of the made products, the number of working hours, the number of production machine hours, etc. In banks especially in the conditions of globalization and development of the new directions of operations, available the total or indirect costs which are not caused by the output. As a result, traditional allocation of costs in banks has to be based on something another, but not on root causes of costs.

Considerable part of overhead costs even on production can be not caused by production machine hours, but overhead costs are distributed with use of these hours. For example, some products of the producer with a small volume can demand significant technical changes, additional checks, frequent installations of the machine with unusually short production cycles, special processing, additional storage and so on. Distribution of these special costs on all products on the basis of the number of production machine hours (instead of distribution of these costs on the basis of their main reasons) will lead to the fact that separate costs of a product will be inexact and misleading. In banks such problem is especially relevant as by the nature banks do not make material products per se, and carry out the customer service called by banking products. Services sector cannot be subordinated to the traditional scheme of cost accounting, it just becomes impossible.

In banks now the traditional system of accounting applies indirect cost to products on the basis of in advance certain rate of overhead costs. The traditional system of accounting considers overhead costs as a uniform pool of indirect expenses. Traditional accounting is optimum when indirect costs are lower, than straight lines. Thus, modern traditional process of cost calculation in banks consists of several stages:

1. definition of indirect expenses;
2. assessment of indirect expenses for the corresponding period (month, quarter, year);
3. the choice of a factor with relationship of cause and effect with the cost (working hours, machine hours);
4. factor sum assessment for the corresponding period (the number of working hours a quarter, etc.);
5. calculation of in advance defined norm of overhead costs (a rate of overhead costs);
6. distribution of overhead costs of products of bank with use of the rate of overhead costs defined earlier.

The rate of overhead costs is estimated as follows:

$$R_{ov} = \frac{Ov}{C_{es}}$$

Ov - calculated overhead costs; C<sub>es</sub> – the rated sum of a factor influencing cost.

For example, at the sum of overhead costs of 500 thousand tenges and 12 thousand working hours the rate of overhead costs is equal to:

$$\frac{500}{12} = 41,67$$

**Discussion.** Thus, in spite of the fact that the traditional systems of cost calculation used in banks today are simpler in fact and more simply in implementation, such cost calculation is not absolutely exact and can lead to considerable understating and overestimate of costs.

As a result it is possible to note existence of problems in a system of cost accounting in banks. First, the traditional system of cost accounting creates the inadequate database. As forming of costs of future period is based on costs of the last periods "corrected" on inflation and an exchange rate, thus the created budgets bear in themselves errors of last years which have property to collect.

Secondly, absence in banks of a comprehensive system of cost accounting. Each bank operation is unique on the, however, the traditional system of cost accounting does not consider feature of each bank operation. Even banks experience difficulties with information processing about clients in intra bank processes that is necessary for meeting requirements of each department. At the same time, if the client manages several accounts in several banks, discrepancies grow even more.

Thirdly, banks do not make material products. There are difficulties of accounting of overhead costs. The traditional system just transfers these costs of the total amount of bank costs. As a result, there is no cost accounting of separate bank operations that does not allow to reveal unprofitable and profitable services of bank.

Fourthly, with growth of IT technologies also overhead costs of banks increase, and traditional approach does not allow to consider them rationally.

Thus, now there was an urgent need of search of the most adequate method of the cost accounting allowing it is not just rational to distribute costs of banking services, but also to create cost value of each separate bank operation.

ӨОЖ 336.717.6

**Ж. Т. Евескина<sup>1</sup>, М. Ж. Жарылқасинова<sup>2</sup>**

<sup>1</sup> Нархоз университеті, Алматы, Қазақстан Республикасы;

<sup>2</sup> Нархоз университеті, Алматы, Қазақстан Республикасы

## **ЕКІНШІ ДЕҢГЕЙДЕГІ БАНКТЕРДЕГІ ШЫҒЫНДАРДЫ ЕСЕПКЕ АЛУ ЖҮЙЕСІНІҢ МӘСЕЛЕЛЕРІ**

**Аннотация.** Банк секторының рөлі зор екені белгілі. Қаржылық нарықты дамытудың заманауи жағдайында банктер, өнеркәсіп, сауда, ауыл шаруашылығы және т.б. сияқты экономиканың әртүрлі секторларын қаржыландырудың негізгі көзі болып табылады, сол сияқты, елді қаржылық дағдарыстан қорғауда үлкен маңызға ие. Осыған орай, шығындарды бақылау, шығындарды бақылау, әртүрлі үрдістердің шығындарын өлшеу және нақты шешімдерді қабылдауға арналған ғылыми стандарттарға негізделген қажетті талдамалық және толық, жан-жақты деректерді ұсыну үшін осындай маңызды сектордағы шығындар есебінің жүйесін қолданудың қажеттілігі артып отыр.

Мақалада банктердегі шығындарды есепке алудың тиімді жүйесін қалыптастырудың рөлі мен маңызы, сондай-ақ Қазақстандағы банк операциялары бойынша шығындарды калькуляциялау мәселелері қарастырылған.

**Түйін сөздер:** банктердегі шығындар есебі, шығындарды калькуляциялау, банктік есеп, тікелей және жанама шығындар.

**Ж.Т. Евескина<sup>1</sup>, М. Ж. Жарылкасинова<sup>2</sup>**

<sup>1</sup>Университет Нархоз, Алматы, Республика Казахстан;

<sup>2</sup>Университет Нархоз, Алматы, Республика Казахстан

## **ПРОБЛЕМЫ СИСТЕМЫ УЧЕТА ЗАТРАТ В БАНКАХ ВТОРОГО УРОВНЯ**

**Аннотация.** Как известно, роль банковского сектора велика. В современных условиях развития финансового рынка банки являются основным источником финансирования различных секторов экономики, таких как промышленность, торговля, сельское хозяйство и др., а также несут большую значимость в защите страны от финансовых кризисов. Исходя из этого, большое значение приобретает необходимость применения системы учета затрат в таком жизненно важном секторе, чтобы контролировать затраты, измерять стоимость различных процессов и предоставлять необходимые аналитические и подробные данные на основе научных стандартов для принятия обоснованных решений.

В статье рассмотрены роль и значение формирования эффективной системы учета затрат в банках, а также проблемы калькулирования затрат по банковским операциям в Казахстане.

**Ключевые слова:** учет затрат в банках, калькулирование затрат, банковский учет, прямые и косвенные затраты.

### **Information about authors:**

Yeveskina Zhanar Tugelbayevna PhD student of the 1st course of Narxoz University, specialty «Accounting and Audit», professional accountant. Professional interests - banking, financial and management accounting, analysis, audit. Experience in teaching over 25 years.

Zharylkassinova Maira Zhaksymuratovna, associate professor, associate dean on academic affairs NBS, Narxoz University. Professional interests - cost accounting, analysis and audit. Experience in teaching over 20 years. Professional accountant, DipIFR (ACCA).

## **REFERENCES**

- [1] B.A. Alibekova., B.A. Zhumatayeva Reforming and developing accounting in the Republic of Kazakhstan//Reports of the National Academy of sciences of the Republic of Kazakhstan Volume 2, Number 324 (2019), 203 – 207. ISSN 2224-5227. <https://doi.org/10.32014/2019.2518-1483.61>
- [2] Awwad Alnesafi Examining Cost Accounting Systems Practices in Commercial Banks: Evidence from Kuwait// Academy of Accounting and Financial Studies Journal Research Article: 2018 Vol: 22 Issue: 4, 1-11.
- [3] R.K.Turysbekova, G.B. Konysbaeva, Stefan Dyrka management accounting as a tool to enhance the information base for making management decisions at the enterprise// News of the National Academy of Sciences of the Republic of Kazakhstan. Series of Social and Humanities. Volume 1, Number 323 (2019), 239–246. ISSN 2224-5294 <https://doi.org/10.32014/2019.2224-5294.35>
- [4] Ahmed, N.R. (2012). Implementing the systems of costs based on activity in the banking sector: An applied study Rashed bank/Attefflhaa branch. Al-anbar University for Administration and Economic Studies, 9(4), 326-344.
- [5] Bhasin, M.L. (2015). Creative accounting practices in the Indian corporate sector: An Empirical Study. International Journal of Management Sciences and Business Research, 4(10), 35-52.
- [6] Мынбаева Д.Е. Учет затрат в банках второго уровня // XLVI international correspondence scientific and practical conference «European research: innovation in science, education and technology», London, United Kingdom, November 8-9, 2018. – С. 38-41
- [7] Atkinson, Anthony A., Kaplan, Robert S., Matsumura, Ella Mae and Young, S. M. 2012. Accumulating and assigning costs to products. In Management Accounting, Information for Decisions Making and Strategy Execution, ed. Essex (US Edition), 121-64. New Jersey: Pearson Education Limited.
- [8] Al-Omiri, M. and Drury, C. 2007. A survey of factors influencing the choice of product costing systems in UK organizations. Management Accounting Research, 18: 399-424.
- [9] Mynbayeva D.Ye. Kal'kulirovaniye sebestoimosti bankovskikh produktov // Sbornik statey XIV Mezhdunarodnoy nauchno-prakticheskoy konferentsii «Fundamental'nyye i prikladnyye nauchnyye issledovaniya: aktual'nyye voprosy, dostizheniya i innovatsii», g. Penza, 2018. – S. 42- 44
- [10] Lee, K.H. (2010). Motivations, barriers, and incentives for adopting environmental management (cost) accounting and related guidelines: A study of the republic of Korea. Corporate Social Responsibility and Environmental Management, 18(1), 39-49.



- [11] Vorob'yeva I.P. Bukhgalterskiy uchët i otchetnost' v kommercheskikh bankakh / pod red. A.A. Zemtsova. Tomsk : Izdatel'skiy Dom TGU, 2014. 182 s.
- [12] Bukhgalterskiy uchët v kommercheskikh bankakh: ucheb. posobiye dlya magistrów / G. N. Beloglazova, A. V. Yesipov, I. I. Ivanova [i dr.]; pod red. G. N. Beloglazovoy, L. P. Krolivetskoy. M.: Izdatel'stvo Yurayt; ID Yurayt, 2013. 479 s.
- [13] Jordi Carenys, Xavier Sales Costing the Banking Services: A Management Accounting Approach//Journal of Money, Investment and Banking 2008. Issue 6. pp.34-53
- [14] Kimball Creating and using strategic expense models for commercial banks//The Journal of Bank Cost and Management Accounting, vol.6, no.2.- pp. 5-20
- [15] Helmi and Hindi Activity based costing in banking: a big challenge//The Journal of Bank Cost and Management Accounting, vol.9. no.2.- p. 5-19
- [16] Nailiya K. Nurlanova, Anel A. Kireyeva, Rashid M. Ruzanov / Journal of Asian Finance, Economics and Business Vol 4 No2 (2017) 37-44 37 Print ISSN: 2288-4637 / Online ISSN 2288-4645 Evaluation of Economic Potential and Level of Concentration of the Regions of Kazakhstan Received: March 8, 2017. Revised: April 25, 2017. Accepted: May 2, 2017. doi:10.13106/jafeb.2017.vol4.no2.37
- [17] Sagiyeva, R.; Zhuparova, A.; Ruzanov, R.; Doszhan, R.; Askerov, A. 2018. Intellectual input of development by knowledge-based economy: problems of measuring in countries with developing markets, *Entrepreneurship and Sustainability Issues* 6(2): 711-728. [https://doi.org/10.9770/jesi.2018.6.2\(17\)](https://doi.org/10.9770/jesi.2018.6.2(17))
- [18] Kosherbayeva N. A., Abdreimova K., Koshërba G., Anuarbek A. Synthesis of achievements of world mankind in humanity pedagogy. *Procedia - Social and Behavioral Sciences* 89, 2013. P.886-889. <https://doi.org/10.1016/j.sbspro.2013.08.950>
- [19] Kassymova, G. K., Arpentieva, M. R., Kosherbayeva, A. N., Triyono, M. B., Sangilbayev S. O., Kenzhaliyev B. K. (2019). Science, education & cognitive competence based on e-learning. *Bulletin of the National academy of sciences of the Republic of Kazakhstan*, 2019, (1), pp. 269–278. <https://doi.org/10.32014/2019.2518-1467.31>
- [20] Alibekova, G., Panzabekova, A., Satpayeva, Z., Abilkayir, N. /IOP Conference Series: Earth and Environmental Science/IOP Conf. Series: Earth and Environmental Science 177 (2018) 012010 (Web of Science Conference Proceedings Index и Scopus). DOI:10.1088/1755-1315/177/1/012010
- [21] T. Azatbek, A. Panzabekova, L. Bekenova, Zh. Yegizbyeveva. The share of drug trafficking in Kazakhstan's GDP: methods for evaluation / *Economic Annals-XXI* (2017), 166(7-8), C. 31-36(Scopus). DOI: <https://doi.org/10.21003/ea.V166-06>
- [22] Khalitova M.M., Praliev G.S., Panzabekova A.Z., Andreeva Z.M., Dzhubaliyeva Z.A. Financial instruments of state regulation industrial and innovative development of Kazakhstan economy. *Life Sci J* 2014;11(10s):369-378. (ISSN:1097-8135). <http://www.lifesciencesite.com.70>
- [23] Khalitova M.M., Panzabekova A.Z., Berstembaeva R. K. Government debt of Kazakhstan under conditions of the global financial system's instability. *Life Sci J* 2014;11(4s):354-35]. (ISSN:1097-8135). <http://www.lifesciencesite.com.63>