Guide to the English Translation

The materials presented below were written originally in Russian for an audience of Russian managers. Their purpose was to assist managers of medium to large manufacturing companies, who needed assistance on several levels: (1) to extract needed information from existing management and accounting systems; (2) to help analyze the information for decision-making purposes; and, (3) to help guide and prioritize the medium- to long-term restructuring process. The materials necessarily reflected differences in the Russian and other western accounting systems.

Contents

Cost Management

<u>Cost Management means:</u>

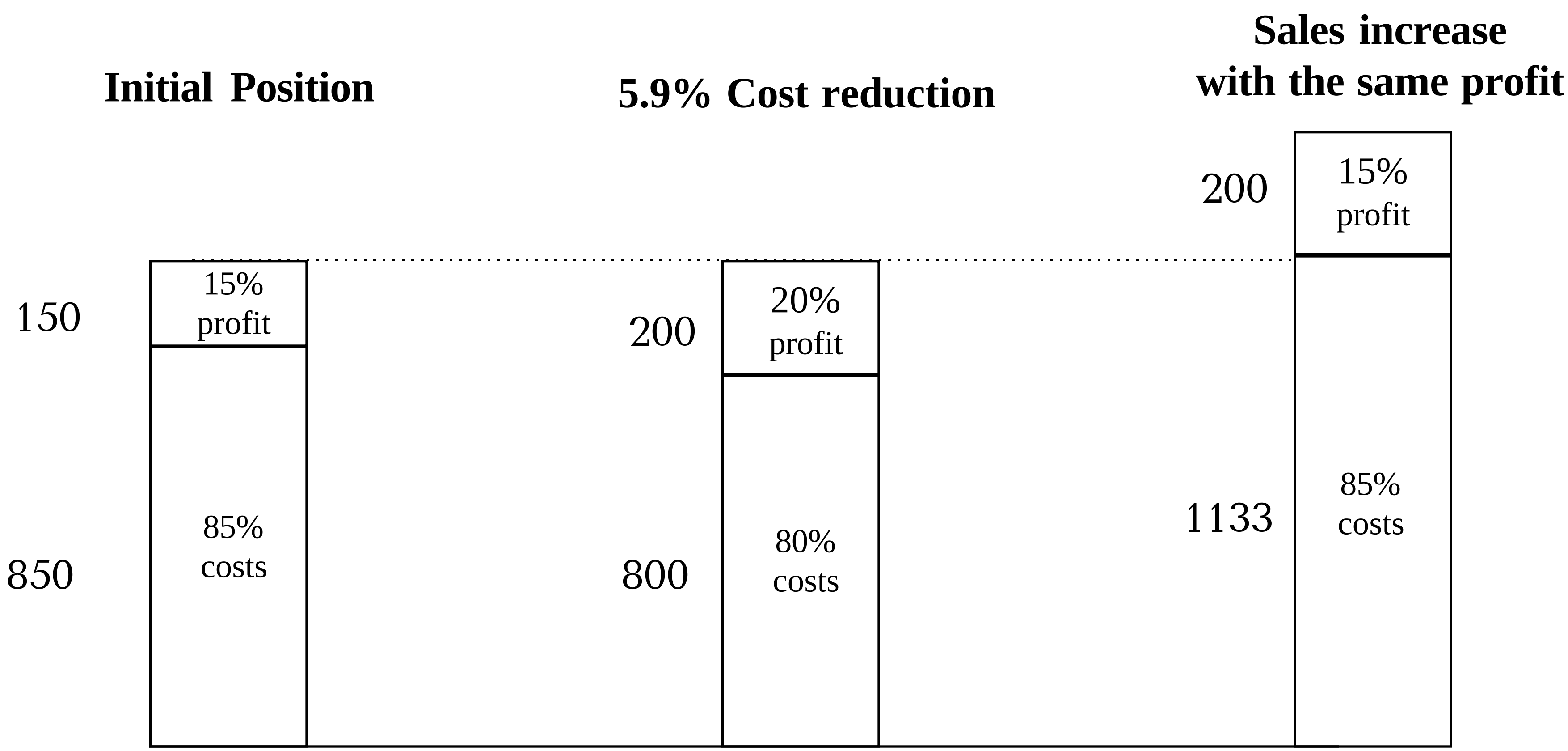
- *Knowledge of where, when and what company resources are used*
- *Forecast of where, for what and what amount of additional financial resources are necessary*
- *Ability to ensure the highest possible efficiency level of resource use*

Cost Management is the ability to save resources and maximize their efficiency

Advantages of Effective Cost Management

- Production of competitive products at lower costs and, therefore, lower prices
- Availability of qualitative and real information about the cost of certain types of products and their position in the market in comparison with other manufacturers' products
- Feasibility of flexible pricing
- Providing objective data for generating company budgets
- Capability of evaluating performance of each division in the enterprise from the financial point of view
- Making justified and effective managerial decisions

Comparing the Effects of Cost Reduction and Sales Increases



Reducing costs by only 5.9% can yield the same profit as increasing sales volume by 33%

Comparing Cost Reduction and Sale Volume Increase in Terms of Impact on Total Profit

The same increase in profit in absolute terms can be achieved by either increasing the sales volume by 33% or by reducing costs by only 5.9%

To increase the volume of sales, additional financing of production is often required which is problematic in many cases or is associated with additional costs (for example, obtaining bank credits)

Sale of extra production can cause difficulties due to limited demand and may also result in additional sales costs

Reducing cost per unit of production gives an important advantage over the competitors -- the option of applying lower, more flexible, prices