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FINANCIAL PROVISION OF CONTRACT BY LIMITING PRICE OF PRODUCTS

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## Financial Provision of Contract by Limiting Price of Products

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backflush calculation, planning, contract price, order, wage costs, costs Introduction

**Abstract**

In some cases, the product price, which is the output price for the enterprise, does not reflect the actual costs of the product. In this way the organization is to minimize its losses that appeared due to the discrepancy of established and real figures. In case of production output in accordance with the requirements, defined by the customer, the specific features of price formation do not allow disposing the product at a price and with the cost effectiveness value higher than one installed by the customer, overstate or understate production output costs. It is shown that existing calculation methods

can not be applied by organizations that work with the directive contract. In the article, the backflush costing approach that corresponds to the normative legal act regulating the economic components formation in the sphere of directive planning, is considered. If conditions, proved in this article, are met, the organization will reach maximum possible profit, operating revenue indicators and an optimum cost level that will provide the covering of all the production expenses. The developed method of the contract price formation in case of limitation of its cost has been successfully implemented in the system of research and industrial enterprises of military-industrial complex of the Russian Federation. This method provides the suitable combination of the contract price and the gross profit for both subjects of economic activity – the customer and the enterprise. The research provided by the authors of the article provides a scientific contribution to the evolution of the backflush calculation approach and calculation of production costs that has various limitations of its market price. Developed method allows also executing the actual cost accounting till the moment of the accounting reporting period and correction of financial results basing on customers' conclusions.

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