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## UDK 657

### CALCULATE THE BREAKEVEN POINT

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*The breakeven point is an important reference point that enters into planning and carrying out business activities. By clearly understanding the level of sales needed to cover all costs, you know how many units you must produce, in the case of a manufacturing business, or how many units you need to purchase and sell, in the case of a merchandising business. In a services business, the breakeven point indicates the number of billable hours you must work in order to cover your costs.*

**Keywords:** management accounting, breakeven point, expenses, incomes

**Introduction.** At the breakeven point of a business, income is equal to expense and therefore there is no gain or loss. It is the starting point from which an increase in sales or a reduction in costs generates a gain and a reduction in sales or an increase in costs generates a loss.

**Scientific approaches and results.** The breakeven point is an important reference point that enters into planning and carrying out business activities. By clearly understanding the level of sales needed to cover all costs, you know how many units you must produce, in the case of a manufacturing business, or how many units you need to purchase and sell, in the case of a merchandising business. In a services business, the breakeven point indicates the number of billable hours you must work in order to cover your costs.

At the breakeven point: revenue = fixed costs + variable costs [1].

Therefore, in order to calculate the breakeven point, you need to determine all

Some examples of fixed costs include:

- the cost to rent an office, shop, warehouse, factory, or other facilities;
- base salaries and wages of employees;
- employee benefit plans, maintenance contracts;
- contracts for cleaning and security services;
- advertising contracts;
- insurance;
- base costs of utilities such as electricity, gas, water, and sewage;
- base costs of telephone land lines or cellular telephone;
- Internet connection;
- the monthly cost of a domain and website;
- real and personal property taxes;

- licenses and permits;
- depreciation and amortization; and interest and other debt service expenses.

Examples of variable costs include raw materials and supplies; freight; rental of machinery, equipment, and tools for specific jobs; fuel; employee overtime pay; temporary contract labor; repairs and maintenance; office supplies; telephone calls; travel expenses; and sales commissions [2].

Some costs can be part fixed and part variable. For example, there could be a fixed cost of electricity in order to keep the facilities illuminated and for all the equipment to operate at a minimal level of activity. But in order to manufacture products, more energy is consumed and this excess constitutes a variable cost that depends on the level of production.

Another consideration in calculating the breakeven point, in the case of companies that manufacture or purchase the merchandise they sell, is that variable costs correspond to the units sold and not the units that remain in inventory.

The breakeven point can be calculated in terms of revenues and in physical units. It is advisable to calculate the breakeven point in terms of revenues when the activity is not clearly recognizable in terms of physical units, or when there are various different products. But even when there are various products, to the extent that you can separate fixed and variable costs and allocate them to the different products, you can calculate a breakeven point by product and thereby have a more dynamic business management tool [3].

When a business works with various different products or services, the calculation of the breakeven point is more complex. You can use the above-referenced formulas on an overall basis, but if you can determine the fixed and variable costs that apply to each of the business's products or services, you can determine a breakeven

point by product or service. This provides you with a tool to be able to allocate resources and efforts where you can obtain the greatest return.

The calculation of the breakeven point represents an important aspect in determining the mix of products and services a business offers. Based solely on the margin that each product or service contributes, you could decide to concentrate more resources on the more profitable products or services, and even discontinue those that do not reach the breakeven point. But it is also important to consider the breakeven point within the context of the business strategy. There could be products or services that contribute little or nothing to the gross margin, but that are essential in order to offer the overall level of quality and service that the business wants to provide its customers [4].

For example, it could be that the main product is highly profitable, and in addition, supplemental or auxiliary products are offered that do not contribute much to the gross margin, but that are things the customers needs or wants, and prefers to buy from the same business. The inverse could also be the case, in that not much is gained with the principal product, but the accessory products and additional services are very profitable. The whole package of products and services should be taken into consideration.

**Conclusions.** Due to variations in costs over time, in addition to possible changes in the efficiency with which resources are used, it is beneficial to determine the breakeven point again on a regular basis. The breakeven point represents the situation at a given moment in time, taking into account the price of the product or service and the fixed and variable costs that exist at that time. Any change in the elements that make up the calculation of the breakeven point will change the breakeven point itself.

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### INSURANCE PROTECTION TO AGRICULTURAL PRODUCTION

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*The paper identifies the key aspects of security and development problems of agricultural production in Ukraine.*

**Keywords:** insurance, insurance protection, agricultural production, agricultural risk.

**Introduction.** Today and always is agriculture sector of the economy that provides food security. At the same time, agricultural production takes place in high natural risks, the effect of which, in many cases it is impossible to control. In addition, farmers are faced with such a risk as price fluctuations, changes in productivity, inconsistent government policies. It is clear that such natural hazards like drought, hail, flood, can lead to very serious production losses. In many countries, the state actively intervenes in the situation, trying in this way to reduce the problems associated with agricultural risks. It should form an effective market risk management mechanism that would satisfy both the needs of farmers and the capacity of the state. This question is relevant.

**Scientific approaches and results.** Some countries have opted for a purely public agricultural insurance when the state assumes all risks related to agricultural insurance, creating an insurance company, and in fact, entering into competition in financial services from the private sector. This approach is highly inefficient, resulting in the rejection of these practices and move to a system where agricultural insurance is provided on a partnership between

government and the private sector.

The partnership between the private and the public sector allows the state to minimize the cost of agricultural insurance and focus on the state management function purely agricultural production, supporting through subsidizing agricultural insurance premiums in the production of agricultural products a priority. In addition, the involvement of the private sector in the implementation of the program provides competitive segment of agricultural insurance and increases the responsibility of the private sector. In this state, without diverting resources to administer insurance programs, the creation of an extensive network of branches, where farmers must apply at the conclusion of insurance contracts in the case of damage, as well as the contents of a large staff of highly skilled underwriters, surveyors, surveyors losses, etc. ensures the performance of their direct functions to create the legal framework for the development of agricultural insurance, the regulation of insurance companies and maximize efficient use of agricultural insurance as a tool for the implementation of agrarian politics [2].

The state is interested in getting to play in agricultural production to provide