



MODERN ENTITIES THROUGH COST LEADERSHIP

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Abstract *The doctrine of western European, especially French, concerning driving through the costs is defined as a technique for analyzing the activity of an enterprise, a data processing method, having mainly aim to understand the different functions of business costs (of production, commercial, administrative, research and development), manufactured products, work performed and services rendered (including the production in progress)*

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1. Cost knowledge

Knowing the cost is a decisive factor for making decisions or planning future activities. Analysis and recording of data on past activity costs is only one side of cost accounting. Managers are also concerned about costs that will arise in the future, their standing on the basis of supply and production decisions and pricing policies. Accounting information system in Romania is organized as dualistic conception, is divided into two parts: financial accounting and management accounting. There are enough similarities between accounting and financial management. Thus, both recorded events of economic life that quantifies the monetary standard, providing information to internal users and external stakeholders. However, different information needs of users determine the existence of significant differences between the accounting and financial management, these differences can be analyzed by many criteria.

Thus, in terms of main objectives, financial accounts must provide chronological and systematic recording, processing, publication and preservation of information on financial position, financial performance and cash flows, both for their domestic needs and relationships present and potential investors, financial and trade creditors, customers, public institutions and other users.

In contrast, management accounting provides a detailed picture of each activity, hence the name of cost accounting, with the following main objectives:

to record transactions on the collection and allocation of expenditure by purpose, namely, the activities, departments, manufacturing phase, cost centers, profit centers, as appropriate, and calculating the cost of acquisition, production, processing of incoming goods, produced, executed works, services, production in progress, current assets, etc. of production units, commercial, service, financial and other fields.

In terms of analytical framework, financial accounting tends to look mainly flows between the economic entity and its outside, i.e. external flows (with its economic environment, social and administrative). Management accounting, however, analyze internal flows in order to determine production costs.

In terms of working mode, unlike financial accounting which is highly formalized and binding for all economic entities, management accounting is organized on principles and bases of each entity. Since it is targeted primarily to internal control, any normalization of management accounting would amount to a restriction, which means that information provided is not exhaustive.

However, there is a consensus that it involves accounting techniques and procedures for collecting and reporting financial data, those concerning the production and the marketing to meet management information needs. Institute of Management Accountants (IMA) defines management accounting as "the process of identifying, measuring, collecting, analyzing,

processing, interpretation and transmission of financial information (and non), used for carrying out the functions of management planning , evaluation and control in the enterprise and to ensure proper use and highlighting its resources”.

In Western European accounting doctrine, especially the French, management accounting is defined as a technical analysis of business activity, a way of processing data that financial accounting has provided, having essentially the following objectives:

- knowledge costs of undertaking different functions (production, commercial, administrative, research and development), manufactured products, work performed and services (including production in progress)
- determining assessment bases of certain assets (stocks and production assets) from own production, recorded in financial accounts "production cost" (term strictly defined and limited to certain specific matters);
- analysis results by comparing costs with revenues;

- development of expenditure and revenue forecasts mainly through the preparation of budgets;
- calculating deviations from predictions in order to obtain management indicators, which would explain their.

2. Cost control management

Management accounting is a step towards a full management control. Defined as an information system, management control will be effective only if its processing results are consistent with the objectives and user needs. Management control system should provide decision relevant information, tailored to specific management problems. Management control should be seen, therefore, as a true check on the best management and the control - penalty. In that light can be regarded as management accounting as a tool of management control. Each of the five objectives of management accounting involves appropriate decisions, as seen in the table below:

Tale 1. Objectives of management accounting

Objectives of management accounting	Decisions and actions
1. Knowledge of costs:: 1. the functions of the company 2. the goods, works and services 3. by sectors	= in order to provide a "traditional" basis for decision
2. Assessment of balance sheet items: stocks; property.	= in order to "sincerely" evaluate some balance items
3. Analyze of the results ◆ the functions of the company ◆ the goods, works and services ◆ by sectors	= to define priorities and establish responsibilities
4. Forecast setting ◆ the functions of the company ◆ the goods, works and services ◆ by sectors	= assessment and planning objectives
5. Calculation of differences: ◆ by costs ◆ by turnover ◆ by volume ◆ by yield	= in order to engage economic actions

In line with this concept, according to legislative regulations in our country, management accounting of each economic entity is organized according to the specific needs of business and, having as main objectives the following:

- recording operations on the collection and distribution of spending on destinations, respective, on activities, departments, manufacturing phases, cost centers, profit centers, as appropriate;
- calculation of cost of acquisition, production, processing of incoming goods, produced, executed works, services, production in progress, assets being etc. of production units, commercial, service, financial and other industries.

3. Arranging and conducting of bookkeeping, showing particular interest to managers of property units, should allow mainly control inputs in order to obtain goods, works and services quality with reasonable cost.

According to Article 10 paragraph (1) of the Accounting Law No. 82/1991, republished, organization and management responsibility for management accounting, adapted to work, belong to the administrator or other legal entities who manage the unit.

Depending on the fundamental objectives of management accounting, its organizational structures split as follows:

- to determine production costs of goods, works and services performed;
- to determine results and profitability;
- budgeting business organization,
- management control organization

To highlight the features of each structure, the administrator (or other entity that must manage the unit) should establish internal procedures for the organization and conduct of management accounting.

Management accounting is organized:

- either using specific accounts,
- either by developing accounts in financial accounting,
- either with its own operational and technical records.

In this regard, it raises a number of issues, including:

- specifying bodies performing work of management accounting, calling one of the following ways:
 - unbundling of the costing analysis and fundamentation of the decisions. Thus, the work costing can be performed either in a separate section called "back-calculation", subordinated to the economic director or the financial accounting department, while the before-calculation and development budgets on kinds of activities are carried out by the department of development
 - costing concentration in a single functional department, known as the "costs, prices and economic analysis".
- choice of the analytical method to organization of the production costs and costing and development budgets, which corresponds to the best management company,
- specifying periods of execution for the computer works and budget costs, a matter which concerns especially their execution time in order to make decisions on future work.

The modern theory and practice of management accounting have outlined two general approaches to its organization, namely:

- a) Integralist conception involves keeping management accounting and financial accounting, called integrated management accounting. In this case, expense accounts (class 6) and income (class 7) of the financial accounting enter into direct correspondence with the accounts used in management accounting.

Thus, the accounts of 6th class "expense accounts" and 7th "revenue accounts" gradually leads. Expenses and income are both defined and classified according to their economic nature and by purpose (i.e. computer items, if costs).

To record direct costs, the correlation is established between the flow accounts for costs of management accounting and credit accounts in financial accounting operating costs, while for indirect expenses, the correlation is determined by flow analysis centers accounts of management accounting.

To receive the revenue, the correlation is established between the flow of financial accounts,

income accounts and credit accounts analytical results of management accounting.

The integralist conception can take two forms, namely:

- Extended version of financial accounting, where the management accounting records follow those of financial accounting. In this case, there are not used accounts of group 90 "Internal Settlement". In the 6th class accounts "expenditure accounts" and 7th class "Accounts Revenue" will be recorded expenses, respectively revenues, according to their economic nature. In the 9th class accounts (group 92 "Computer Accounts" and 93 "production cost") the expenses and the income shall be taken according to their destination. Thus, accounts of Class 6 and 7 leads.

Variant "kernel" in which the accounts of 6th class "expense accounts" and 7th "income accounts" are put into service only at the end of the takeover expenditure and revenue management, grouped according to their destination, entering into correspondence with 92 credit group accounts "computer accounts", and group 93 "production cost". Do not use group accounts 90 "Internal Settlement".

On a more careful research reveals a number of shortcomings, namely:

- it is relatively difficult to practice it in "classic" conditions, (pencil and paper) and does not facilitate the division of labor;
- make the trial balance, expenditure accounts and income don't have the final balances, which are already resulting as determine the costs and results;
- do not give results directly in profit or loss. With the accounts of 6th class "expense accounts" and 7th "income accounts" do not fall in direct correlation with the income, profit or loss cannot be calculated only by a process extra-accounting (retrieval, grouping and comparing costs and income for the period).

b) The dualistic concept involves organization of management accounting in a circuit completely independent from the financial accounting. Hence the name of self-management accounting. In this case, all

costs and revenues of an economic entity are recorded, as to their economic nature, only the accounts of financial accounting (in 6th and 7th class accounts). On the other hand, management accounting expenses are recorded only incorporated in costs and revenues that form turnover, using only the accounts of class 9th "account management".

Records management with accounts may be made in two ways, namely:

- Typically, using traditional accounting items;
- Using double entry tables that: pass line accounts payable, accounts receivable column pass. Compared with accounting article, this model is more suggestive and accessible to the technical services specialists.

The connection between financial accounting and management accounting is done by using so-called "mirror or reflection accounts" group 90 "Internal Settlement". Autonomous management accounting, although it is a cumbersome and expensive procedure, however, can provide cross-checks controls, thus reducing risk of errors. Such a way of organizing and conducting the management accounting rules and regulations can be found in our country.

In the literature are mentioned other concepts of organization and management of management accounting, such as:

- collection and settlement records involves using situations or records according to their destination, namely the distribution and settlement expenditure on production obtained. Accuracy of data contained in these records are checked against the "square control" of rows and columns. Also, subtotals and totals in these tables (records) that reflect the collection and settlement management accounting data recorded must be identical to those recorded in the accounts of 6th classes' expense accounts and 7th "income accounts" of financial accounting.
- Multiple coding involves using two or more encodings, different criteria for the same items of expenditure and revenue. This would take into account both the objectives of financial accounting and management

accounting of the "Balance mirror or reflection" would not find useful, so the procedure would be easier.

Organization of management accounting in an entity can be done in several stages, namely:

- determining objectives of the scheme and cost estimates;
- definition and analysis centers of the bases for allocating indirect costs,
- cost structure analysis to calculate

This work must be carried out in a logical and operational way but over a greater management period, given the possible overlap of the centers of responsibility over the analysis, in order to exercise effective management control.

Manager must, therefore, to establish three basic objectives of management accounting, namely:

- costing various supplies, works and services entity. This calculation should allow pricing of sales, a management priority in the forecast;
- valuation of stocks. This operation allows costs to products stored knowledge to be represented in the balance sheet management control
- introduction of the management control by providing a "picture board" in which the manager wants to find indicators on key points of management, other than return the unit, namely:
- tracking financial expenditures and possibly to the general administration;
- lack of commercial dynamism direction due to poor sharing;
- quality of fleet maintenance.

4. In conclusion, the result of this presentation is that entity's performance largely depend on the quality of activities, such as maintenance or management of machinery equipment, and to a lesser extent the manufacturing problems effectively.

In the second stage (definition of analysis centers and bases for allocating indirect costs) must be defined the centers of analysis, distinguishing between structural and operational centers. Also, allocation bases used should be the most representative category of expenditure to be included in cost of production achieved.

Each cost structure analysis involves calculation of the correct delineation of expenditure both embeddable and precise determination of the cost structure for each product or service work.

Management accounting is oriented, increasingly more, toward research of a consistent process integration in automated data processing system, to computerized accounting. From the perspective of an advanced market economy, management accounting should provide information to permit making the best decisions by manager.

Among this information, we note the following:

- information on cost of goods, works, services, legal persons engaged in manufacturing, service and cost of goods sold for legal persons engaged in trade;
- underlying information based budgeting and control of the operation,
- financial analysis information necessary to substantiate managerial decisions on internal business management,
- other information required to achieve an efficient management.

This information provided by management accounting can be used at different levels, both within the entity and outside it, for example, to launch a new product or create a new activity, to abandon an activity or a product to select customers or orders, to replace a material to carry out corrective actions to meet agreed objectives, to control resources management by comparing the results obtained to control management and active participation of the factors responsible.

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