

The Ways of Perfection Managerial Accounting and Cost Calculation

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Abstract

Improvement and diversification of costing methods should consider, in addition to efficiency, foresight and responsibility, and reduce the workload necessary to obtain information on costs of production and costs, and possible recovery of the information obtained. This process requires the adoption of systems, methods and techniques of budgeting, tracking and costing, to provide efficiency, simplicity, economy and provision.

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1. The need to improve management accounting and cost calculation

Economic development in general and industry, in particular, has the effect of increasing the efforts for finding the most rational means of improving management accounting and cost calculation in order to identify and mobilize internal reserves existing maximum growth line economic.

The improvement of managerial accounting and cost calculation as part of basic accounting system, without which it can achieve effective management of business management, has the main vector modernization of calculation cost methods, because information related to production efficiency owning a leading role in managerial work.

Information detailing should reflect the operations caused by domestic manufacturing activity, which is dominated by technology features and organization of production, technical structure - the productive and organizational - management of the company and its dimensions and establish strict hierarchy of responsibilities at all levels. In conclusion, flow and documentation circuits, how and when primary data collection and recording etc. are affected and related to the particular branch of industry.

In terms of retrofitting production, technical progress in general business, management industry needs useful information for assessing performance of the manufacturing process to control expenditure classification established production standards that would allow timely decisions and implementation corrections to ensure the achievement of predetermined objectives through the budget.

Achieving this goal can be achieved by improving methods of budgeting, accounting and production cost calculation, which must be detailed, and to decompose economic phenomena and components relevant products and to inform about irregularities these elements operating in their normal pursuit.

Effective business management requires the application of modern methods to allow the knowledge of activity results, and information provided do not relate only to past periods and have efficiency inversely proportional to the time they are offered. The methods used must provide operational and forecast information on utilization of production resources and time that determine the cost of production. Methods of calculation must allow each section of work to judge correctly the results of their activities, to take decisions and measures to improve work in order to meet best the objectives of the budget, to remedy and prevent deviations, not only previous finding, which involves lowering the maximum amount of information. This resulted that traditional costing not meets the requirements of effective leadership in production, because they are generally descriptive and not oriented to a research methodological analysis of optimal.

The need to prepare thorough and objective decision making on production costs in a rational, impose to improve methods and techniques of calculation and hence managerial accounting, which allows higher turning to labor management information to business enterprise.

System and accounting methods adopted allow management to increase production efficiency, and instead spent a mere finding of facts to highlight the future development trend of the phenomena.

Classical accounting is not sufficient and Managerial Accounting takes the role of a driving tool and an organizational techniques. Managerial Accounting is "fast" and help establish what expenses can be considered as "normal" and to determine deviations between actual expenditure and the default, these deviations signaling imperfections, localizing anomalies and knowingly allowing the company to work for their elimination.

In order to provide information on production costs on the one hand, and on the other side development forecast of managerial accounting is necessary to promote the various costing methods, based on predetermined costs.

Of all the methods of calculation that which best meets the needs of management to take decisions on economic efficiency is the standard method - cost. This method provides information on production costs with operational, forward and functional character.

Adoption in the work of accounting and costing of industrial enterprises, operational methods and forecast, based on predetermined costs, creating opportunities for comparisons between standard and effective, for highlighting the causes etc. To make a series of review places spending, the causes, the responsible. Reflecting the depth of economic processes enables their characterization in the multiple aspects and thereby increases the intake capacity of accounting, in general, and that managerial accounting, in particular, to prepare for management decisions.

Furthermore the classification of expenses by their destination and by their changes to the workload created more scope for analysis of financial results and control of activity on each responsibility center.

Managerial accounting must monitor results of operations, determine their causes, corrective measures and responsibilities to them, by organizing it for analysis on costs. Modern methods of calculation must allow an accurate attribution of costs of production on the final products.

Calculating a cost effective complete the product, as bearer of expenditure, has a historical character. The methods of calculating such costs provide information used in particular to assess stocks of finished and semi-finished products, the settlement of production obtained in the determination of production in progress and to determine the final outcome of the global financial and profitability by product.

Cost control is achieved through calculation and analysis firm, on sections, on products and articles of calculation, of deviations from the standard cost.

These deviations are calculated in the organizational structures, both total article calculation and on the causes, having regard, first grouping expenditure trends to report physical volume of production, variable and fixed, and the furthermore, grouping of expenses by way of inclusion in cost of products, direct and indirect.

2. Standard cost method - method of improving managerial accounting and cost calculation

The information provided managerial accounting enables efficient management of the company. In the management process, managerial accounting facilitates the work of managerial control. Decisions taken by management activity must be properly applied so that the results are consistent with those planned. Planning is the main instrument for management control for being effective. Essential component of managerial control is the control costs. That's why planning and cost control activity is very important. Standard-Cost method is a technique that helps in controlling the costs and business operations. It aims to eliminate losses and to increase business efficiency by setting standards and formulating plans cost.

Standard costs are "costs of production ante calculate, scientifically rigorous, in conditions of technological processes used for the production and organizational and functional structures of the firm, valid for the period considered".

Standard cost method occurred in 1901, the United States, as the Estimated cost system.

Upon the occurrence of Estimated cost system, its benefits refers to "substantial simplification of calculation of costs as a result of dropping the post calculation per product unit cost calculation and integration trend in the enterprise planning system overall".

Standard cost method is included in the category of methods of calculation and tracking operational forecast of the production process allowing the costs of production in advance to start the production process and making budgetary control costs by determining deviations of actual costs to those predetermined in ways of irregularities and causes, while the process of production. Thus, this method of calculation provides a significant advantage in the course of study and analysis of operational efficiency of production, being able to fulfill an important function for modern enterprise management, namely, that the investigation and prediction tool.

The main advantages of the standard method - cost can be considered the following:

- *Measure of efficiency* - comparing actual costs with standard costs allows management to assess the performances of each cost center. In the absence of standard cost system, the actual costs of different periods can be compared to determine effectiveness. But this comparison is inappropriate because the periods compared may have different circumstances.
- *Finding diversified solutions* - business performance is determined by comparing actual costs with standard costs, the management company having the capacity to eliminate inefficient sectors. This allows making timely decisions.
- *Management by exception* - management should intervene only in situations where actual performance (obtained) is lower than planned. Management by exception is that each production center it established a specific goal, you need to achieve, and such management company is not obligated to monitor every activity. Responsibilities are submitted each production center and it must coordinate such activities in order to meet the goals.
- *Control costs* – each cost system aims to control costs and reduce costs. Standard costs are constantly reviewed efforts being made to improve efficiency.
- *Good decisions* – standard - cost method provides useful information so that the company management can take important decisions.
- *Eliminate inefficiencies* - setting standards for different cost elements involved a detailed study of various aspects. Standards are set differently for the costs of production, administration and distribution. Determining the costs of production requires a thorough study of costs and material and labour expenses. Similar studies are necessary to determine the other expenditure categories. All these studies lead to the elimination of inefficiencies in production activity.

However the standard method - cost has a number of limits (disadvantages):

- cannot be used in those companies are not producing the standard products. If production is carried out in accordance with customer specifications, each manufacturing process will be characterized by different types of expenditure.
- standard cost setting process is a fairly difficult because they require and expertise.
- conditions established for certain standard costs may change. In case of changes, if standard costs are not analyzed and reviewed, they become impassable.
- fixing responsibility for each production center, in part, is a difficult task. In the production process controllable and uncontrollable changes may occur, the standard – cost method produce effects only in controllable changes. For example, if the production technology changes previously established system cost is not the appropriate one. In this situation, the management company will have to examine and revise standard costs.

According to the standard - cost calculation method, unit production costs must be calculated in advance using preset sizes. Simultaneously with the process of production is organized tracking stock that costs rise, as by comparison with standard costs to determine the locations of spending irregularities and causes, in order to make budgetary control of costs.

The original design of the standard - cost method was no longer necessary to calculate the actual cost because the standard cost is the cost scientific, reason for

deviating from this cost are considered normal and are passed directly on account of financial results.

However there is a possibility of calculating the actual costs of the production obtained. This calculation is done by adding or subtracting from the standard cost of irregularities recorded in the following format:

$$Cu_e = \frac{Ct_{standard} \pm A}{Q} \quad (1)$$

where:

- Cue – actual unit cost;
- Ct standard – total standard cost
- A – deviations recorded;
- Q – production quantity obtained.

Steps to be taken in applying the standard - cost method consist of standard cost product calculation development:

- calculation, monitoring, analysis and reporting deviations to the standard cost effective for making budgetary control
- managerial accounting organization in terms of applying the standard – cost method.

To develop standard product calculations, the following works are necessary:

- development of standards for direct costs - refers to determining the materials and labor quantitative standards and the standard supply price and wage rate
- development of standards for indirect costs – refers to budgeting indirect costs of production of each section of the production and budgeting general administrative expenses of the company
- development of standard unit cost calculations for product - budgeting the unit cost in structure of items of calculation of the enterprise.

Developing standards for production costs involves the setting of varieties and production volume standard to determine the optimal use of production capacity of the company.

Calculation, tracking, analysis and reporting deviations from the standard of actual costs is done in operational and regularly places expenditure on items of calculation and the causes, as regards control budget decisions on cost and value management process production.

Conclusion

Standard - cost method creates an adequate framework, which enables comparisons between actual expenditures and operational pretaken as a reference. Applying this method enhances the practical value of accounting information and improves the organization of economic activity. These features of the standard – cost calculation method lead to a better foundation for cost budgets, and thus the establishment of benchmarks to express as well the ordinary course of business activity.

Business management company based on the standard cost method corresponds to the principle-based management objectives and gives a major role of accounting.

Thus, accounting can be considered an important tool of management, as its mission becomes more complex in that it has not only designed to determine the cost of production, but to check that it was respected by leaders of business sectors. Managerial accounting made budget control and can provide intelligence information on the level of production expenses.

By applying the standard - cost calculation method is aimed at enhancing the role of production costs to ensure performance targets set in the proper functioning of the enterprise.

Standard - cost method replaced the recording and collection operations for actual data to compare them to the end of period, what is achieved by the orders method, providing an analytical, operational and forward character for information, allowing their use for future business growth.

Standardization of production costs must have as starting point the quantity and value standards, with technical - economic reasons. This is necessary because actual expenditure deviations from the standard, determined simultaneously with the process of production is more important than deviations calculated at the end of period resulting in delayed decisions. They involve the determination of operative cases, because they are essential to future decisions and actions to correct deviations in the objectives set.

Using the standard - cost method allows the improvement of internal business information on integrating itself in the modern concept of management based on objectives through better use of production costs and strengthen economic management.

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