

TOWARDS AN OPERATIVE AND PREDICTIVE MANAGEMENT ACCOUNTING

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Abstract: *In terms of costing, it is increasingly questionable whether current managerial accounting methods can be used successfully to motivate business activities and behaviour in order to bring profit to the enterprise. Most of the furniture manufacturing companies in Romania calculate for the products obtained the full cost according to the actual plan-type methods, which are left inherited from the centralized planning system and were imposed by the communist regime since 1951. After 1990, these methods continued to be applied, even if they no longer respond to today's managerial needs.*

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1. The limits of the current managerial accounting system

One of the limitations that characterize the order method is the current costing method used by the furniture-producing entities, which is past-oriented. It provides information on past management periods, but does not pay much attention to forecasts. The full cost of furniture is calculated late, after the entire manufacturing process has finished and all the expenses related to its deployment have been centralized (20-25 days after the end of the management period). The information provided thus has a historical character. For this reason, they can only be used for the future, the regulation of the production process to which they refer can not be made operative, in its performance, the role of information provided by managerial accounting in substantiating short-term decisions, thus being very low. If managers need to make a cost-based decision before the end of the production process, the information provided by the ordering method may not be appropriate, they becomes obsolete and can only be used in long-term management, the production processes to which it refers being already concluded. However, in the economic practice of furniture manufacturing companies, the

most numerous are short-term decisions, and the efficiency of the business depends on the manner in which they are based.

Actual costs can not be compared both because of changes in the factors that have influenced them and because information from past periods may themselves contain some elements of economic inefficiency. For this reason, using the order method makes it difficult to measure economic efficiency.

The ordering method does not offer the possibility of knowing operational deviations from normal business conditions, in detail, by types, causes, places of production, etc. As a result, the information provided does not allow timely disclosure of costs that are uneconomic, difficulties in the conduct of production, and the issues related to optimizing and minimizing costs are not taken into account. Any furniture manufacturer should calculate the cost of production obtained using predictive methods, which can timely indicate the causes that lead to cost overruns, enabling corrective action to be taken.

From the analysis of the current costing method used in furniture manufacturing companies, we found that by comparing the actual cost with the predetermined cost, only savings or total expenditure overruns can be determined and for identifying the causes that generated them it is necessary a series of calculations and further investigations.

Another limit of the current system of managerial accounting applied to economic entities that manufactures furniture products is also the fact that it does not take into account the variation of expenses when changing the volume of activity. Focused primarily on the calculation of full unit cost, the current managerial accounting system focuses on structuring expenditures into two categories: direct and indirect costs. But this classification does not allow their analysis to be made in relation to the production volume. From an economic point of view, however, expenditures have to be analyzed in correlation with the change in the volume of production, which requires, in their calculation, the need to classify expenditures into two categories: variable and fixed. The lack of classification of production and sales costs into variables and fixed ones is the basis for incorrect decision making based on full cost.

The information provided by the order-based method loses its relevance because of the growing share of indirect costs in the total expenditure of the economic entity and the high cost of collecting and processing information. Also, the time it takes to collect and process all the full cost information determines obsolete information that loses out of the quality claimed by the users of the information.

From the analysis carried out at several furniture manufacturers, we found that most of them do not record or track the cost of sub-activity, even if some sectors do not work to their full potential. In this situation,

the costs of stored furniture are influenced (increased) by these costs associated with sub-activity expenditure. Also, the cost of production is increased in an unjustifiable way with non-productive expenditures. Non-inclusion of the costs of production in these expenditures would make it easier to analyse the causes that they generated and the measures taken to remove them.

A. Grigore and M. Radu believe that it is difficult to carry out expenditure control by dividing the expenditure into direct and indirect. This can be done efficiently if delimiting their elements into variables and fixed ones. The assessment of the cost-effectiveness of furniture pieces based on the price-to-total cost relationship is not relevant in the scheduling of production because the full cost does not evolve in proportion to the volume of production obtained but only a part thereof. In order to correctly set the production schedule, it is necessary to separate the costs into fixed and variable ones.

The current calculation method requires both ante calculating and post calculating. The early release of documents on the consumption of raw materials, direct materials, semi-finished products, direct labour etc., but also the opening of records and analytical statements in order to track production costs in the post calculation, requires a large amount of work to ensure a rationally organized information flow.

The lack of unity between the calculation object used in the ante calculation and the calculating object used in the post calculation is another limit of the ordering method. In ante calculation, the cost is determined at the product level, while in the post calculation it is calculated at the command level. Only after the order is completed we can calculate the unit cost per unit of product. This results in the impossibility of tracking the degree of compliance in the foreseeable costs.

All these limits of the managerial accounting system practiced in the vast majority of furniture companies in Romania can be eliminated with the increase of the interest of the shareholders and other persons involved for the information provided by the managerial accounting. The deficiencies that exist in the managerial accounting should lead to the realization and the development of the new technology or the improvement of the existent techniques.

2. The need to improve managerial accounting

The development of the economic efficiency and the requirements of the management of the economic entities determine the necessity to improve the managerial accounting methods, in order to increase their role in substantiating the current and prospective decisions regarding the obtained production, the rational use of the

means of production, the improvement of the technological processes etc. By improving managerial accounting in furniture manufacturing enterprises, it is necessary to increase the importance of the information provided to managers, to improve the cost-related informational content, from the point of view of identifying some elements of efficiency that are necessary for the scientific management of the economic activity, to improve the way in which the costs are distributed indiscriminately through the use of appropriate criteria etc.

The operability of the information is the possibility of receiving it in a timely manner by the information users, in order to be able to act on the way to solve the possible problems. The information that is not used in time loses its value, becomes obsolete, and in this way the labour consumption related to its obtaining is lost.

M. Radu believes that the process of improving managerial accounting methods should be based on these real needs. The main goal is to make the techniques and methods applied more operative and more effective in providing the information that is needed for leadership to substantiate decisions. This is not possible without the use of an efficient information system. The use of databases provides information that is characterized by timeliness, opportunity, high information value and the use of information according to the managerial level for which they are drafted, in relevant and accessible forms of presentation.

Conclusions

The operability of information is important in the field of costs in the enterprises having the object of manufacturing furniture. When costs are known only after the piece of furniture has been manufactured, the information in question is incomplete and serves only to make possible long-term forecasts. Operability implies that any expense generating losses is detected before it is produced. In this way, it is possible to uniform the information and the control over any type of expense of production. Costing will thus have a predictive nature. Cost forecasts are also required to solve problems related to the introduction of new technological processes, the acquisition of new pieces of furniture etc. The operability of the information provided becomes indispensable for increasing the efficiency of the production process.

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