

CONSIDERATIONS ON THE ORGANIZATION OF THE MANAGEMENT ACCOUNTING SYSTEM IN BAKERY COMPANIES

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Abstract: The development of the economic activity must be accompanied by the development of the economic information system and especially of the accounting information system. The economic information must meet the user's requirements in terms of quality, coverage area, content and efficiency. The accounting information in general and especially the management accounting information acquire greater importance in the current economic conditions, characterized by risk and uncertainty. The technological and organizational particularities of the company must be taken into account in any approach for the organization/reorganization of the management accounting system within the unit.

JEL classification: M41, M42

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1. INTRODUCTION

There is the question whether “management accounting is a component of managerial accounting or the two are equal?”. In order to answer this question it is necessary to first consider the definition of management accounting.

Given the views expressed in the literature and research, in our opinion, we can speak about a system of management accounting at the enterprise level. In our view, this system has several components: management accounting, financial accounting, internal audit and management control. In addition to the listed components we can also mention the green accounting that can be implemented at the level of management accounting and financial accounting to distinctively reflect the environmental expenditures and incomes in the accounting records.

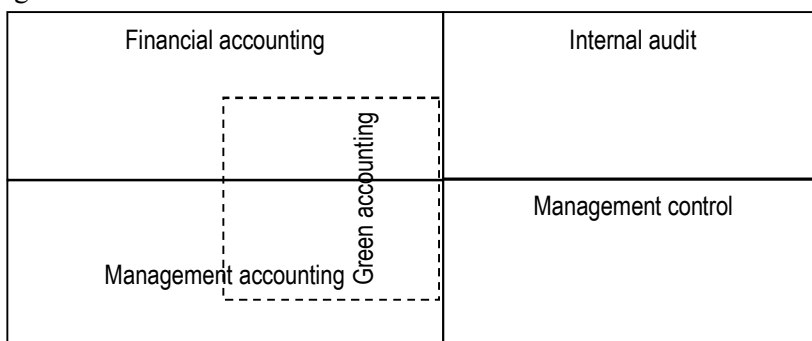
2. OBJECTIVES

We aim at setting conceptual delimitations concerning managerial accounting la and the method of organizing the system in which it is comprised within the company. In our opinion, the components of the management accounting system can be presented graphically as in Figure 1.

In S. Briciu's and S. Căpușneanu's opinion (2011)¹ “in a general sense, managerial accounting is an integral part of management that deals with identifying, presenting and

¹ Briciu, S., Căpușneanu, S. - Aspecte ale normalizării contabilității manageriale din România la nivel microeconomic, (*Aspects of the normalization of managerial accounting in Romania at macroeconomic level*) ECTAP, no.3/2011, pp. 57-68

interpreting the information used for the formulation of strategies, decision making, resource optimization, information of employees, asset protection, planning and control of activities, informing shareholders or other external users of the information”.



Source: prepared by the author

Figure 1. Management accounting system components according to the author

In our opinion management accounting as a tool that is available to managers, whose purpose is to obtain performance. The boundary between accounting and management and is difficult to delimit in strict terms. The accounting and the management are in a relationship of mutual determination: “the management makes decisions based on the information provided by the accounting, while the accounting is organized and managed to meet the needs of the management. The main features of the management accounting system components are presented in Table 1:

Table 1. Main features of the management accounting system components

It. no.	Component	Role in the managerial accounting system
1.	Management accounting	- supplies analytic information on the resources managed by the each and every organizational link to facilitate the understanding and explanation of the results; - tool used by managers to achieve organizational goals and it is not an end in itself.
2.	Financial accounting	- aims at recording all the operations that impact the economic resources of the company, in order to determine the outcome of the exercise; - provides information about the financial position and performance of the enterprise and is mandatory and unitary in practice.
3.	Green accounting	- monitors the environmental costs and benefits; - can be integrated both within management accounting and financial accounting.
4.	Management control	- allows the management of the company to ensure that steering decisions made within the enterprises are consistent with each other and that, in the short term, they contribute to the strategic objectives; - is based on short-term planning techniques, on a system of collecting and processing information and in a procedure for the measurement of performance.
5.	Internal audit	- reports directly to the Chairman of the Board of Directors or to another senior officer in the company.

Source: prepared by the author

3. PREMISES OF THE ORGANIZATION OF MANAGERIAL ACCOUNTING

The organization of managerial accounting at the enterprise level is best achieved if some prerequisites are met, which vary according to the specificity of the company. Among these premises O. Călin and others (2008)² mention:

- the accurate sectorization of the production process on sections, workshops, workplaces, etc., which can operate as cost places or centres;
- The rational organization of the primary document flow as main information carriers concerning the production costs and the production obtained;
- the appropriate organization of the preventive control and of the current and of the postoperative control of the production costs;
- the appropriate application of the theoretical and methodological principles underlying the organization of managerial accounting and cost calculation.

The information system concerning the costs plays an important role in making decisions in each company. A main requirement related to this system is efficiency. Information is valuable insofar as it is useful for the decision making, planning and control process.

The information system must be suitable for the purpose of the company business. The reports, statements and analyzes provided should contain information relevant for the proposed purpose. Such statements must be issued at regular intervals and small enough so as to ensure their effectiveness. The persons for whom such situations are issued must be those responsible for making decisions.

Most companies in the bakery industry are small (bakeries falling into the category of micro-enterprises) and do not have staff employed for the organization of bookkeeping. In this case, under the law, the bookkeeping may be organized and managed based on accounting service provision contracts, concluded with natural persons or legal entities authorized in compliance with the law, members of the Body of Expert and Licensed Accountants of Romania.

The design of a cost calculation system must begin with a thorough study of the company business. The cost calculation system within the company must be adjusted to the operating activities of the enterprise and not vice versa. Any significant change in the company processes must be by the adjustment of the cost calculation system.

The development of the economic activity must be accompanied by the development of the economic information in terms of scope of coverage, content and efficacy. The accounting information in general and especially the management accounting information acquired greater importance in the current economic conditions, characterized by risk and uncertainty.

In the bakery companies stocks have a quick turnover, due to the specificity of the branch and to their perishability. Thus the methods used for the evaluation of stocks acquire increased importance. In relation to the sale, large companies in this industry have a chain of own shops that provide the sale of an important percentage of the total production.

4. THE SELECTION OF THE OPTIMUM COST CALCULATION METHOD

In recent decades we have witnessed a steady increase in the share of business overheads. Under the traditional methods, the indirect costs are allocated arbitrarily, based

² Călin, O., Man, M., Nedelcu, M.V. – Contabilitate managerială (*Managerial Accounting*), Didactic and Pedagogic Publishing House, București, 2008, p. 130

on variable and less relevant distribution keys, most often dependent on the volume of the activity performed (man hours, machine hours between which there is a causal relationship).

In the opinion of the authors C. Iacob și I. Ionescu (2003)³, in order to provide more clarity to the concept of calculation method, we would start from the presentation of calculations, and in full agreement, we would say that regardless of the formal or functional aspect of calculations, in order to reach their purpose, i.e. the calculation of the cost per unit of product, work or service, there is a common note targeting the completion of a number or stages or steps within which various processes are used which can achieve the aimed purpose, and the practical method of applying one or another procedure and their sequence during the calculation takes the form of an actual technique also referred to as “cost calculation method”.

In relation to the method used for the calculation of costs, the company can choose one of the two options below:

- improving the cost calculation method it already uses;
- the adoption of a new cost calculation method to better meet managers' information needs.

We believe that the alternative of adoption a new cost calculation method .has long-term benefits, despite the implementation costs that can be quite high sometimes.

If, generally, cost calculation methods evolve, namely they become increasingly complex, theorists' and, especially practitioners' reactions⁴, required new research, some of them having an opposite tendency.

Naturally we ask ourselves what cost calculation method would be the most adequate for bakery companies in order to meet the performance-cost-value triplet?

Currently, in the bakery industry the standard cost calculation method is widely used. The use of this method has some undeniable advantages. It provides simplicity - standards are not influenced by short-term variations and are reviewed only when they no longer reflect the reality. Another major advantage is speed – it is not necessary to wait for the collection of information in relation to the unit cost. The standard cost calculation method facilitates decision making because following the calculation of the deviations corrective actions can be applied.

Standards also can form the basis for determining sale prices and allow for the assessment of the performance of component units. The calculation of the standard deviations allows for the increase in the staff's awareness to the financial implications of not observing the standards. The possibility of using management by exception is another advantage of the method: managers are contacted only if major deviations are recorded, which are considered exceptions.

In addition to the undeniable advantages, the method has a number of disadvantages. The implementation of the method requires a long time, and the process is slow. In some cases, it may trigger conflicts for assigning accountability for deviations. A

³ Iacob, C., Ionescu, I. – Contabilitate de gestiune (*Management accounting*), Sitech Publishing House, Craiova, 2003, p. 80

⁴ The ABC method is a significant step forward in terms of quality in the area but proved to be difficult to implement and apply. Being aware of its limitations, Kaplan and Anderson proposed its evolution: Time Driven ABC. If, generally, calculation methods evolve, namely they become increasingly complex, we notice here an opposite tendency. Within TDABC several operations are measured according to one measurement unit: time. This is a principle of the methods based on constant ratios, adopted precisely due to its advantages.

very important aspects in the application of the method is represented by setting standards that should be accessible but at the same time ambitious. Standards can be difficult to set and follow in areas such as research and development, commercial, training, etc. The costs of the implementation and adjustment of the method to changes are high.

Standards can have a high degree of rigidity. This is caused by the long and tiring way required for their development. Employees develop the natural tendency to keep these standards as long as possible. If the manufacturing technology changes or there are changes in the economic environment in which the company operates, standards lose their information valences.

The standard cost method ignores the fact that the deliveries of a product to different customers bring different results to the company. Costs are also used to determine the selling prices of products. Since the delivery of a product to different customers have different costs, in the case of the standard cost method the price below which the delivery of a product brings losses instead of profit is not accurately known.

The UVA method answers what should be one of the aims of management control: precise knowledge of products, customers and combinations of products/customers. The method is accurate and reliable. With the exception of amortization periods, there is no approximation with this method and no arbitrary distribution. Currently the data processing systems enable the development of complex cost calculation methods. Depending on the calculation method adopted by the company, the cost of such a system may be very high.

We believe that the UVA method reaches a balance between complexity and simplicity, between accuracy and inaccuracy, providing timely information at an acceptable cost for the enterprise.

The successful application of a costing method requires the use of an appropriate software. L. Şerbănescu considers⁵ that „The reasons why Business Intelligence needed to be introduced, at a certain moment, in the activity of a company or institution in our country are not only due to the need to face the competition imposed by the European market, to the standards and the legislation that have to be observed, but also to the acute need to save time and to enhance performance”. Şerbănescu proposes some instruments for sales monitoring that can be used in the conditions of the application of UVA method.

Generally each cost calculation method is presented by its promoters as the ideal solution. In reality, these methods are evolutions of older methods, whose disadvantages they try to eliminate. Each cost calculation method has advantages and disadvantages. By building a method in an attempt to eliminate the drawbacks of other methods certain aspects are disregarded, to and become the disadvantages of the new method. The optimum solution can be a combination of these methods, in such a way as to best meet the information needs that exist within each unit. The application of a cost calculation method does not exclude its combination with procedures of other methods, insofar as this is considered viable by the decision makers of the company.

Y. Levant and O. de la Villarmois (2001)⁶ found in the companies that applied the UVA method some differences between the recommendations of the promoters of the method and the manner of implementation: standard information was used instead of real

⁵ L. Şerbănescu, Business Intelligent Instruments for Sales Monitoring, on-line at http://mpr.ub.uni-muenchen.de/13942/1/MPRA_paper_13942.pdf

⁶ Levant, Y., de la Villarmois, O. – La méthode UVA une étude empirique d'une méthode alternative de comptabilité de gestion, 4ème congrès international de génie industriel, Communication au 4e Congrès International de Génie Industriel, France, 2001

ones. The use of standard information may be justified in order to simplify the application of the method in enterprises. Standard values can be used for the number of work units and for the quantities of raw materials consumed. This deviation from the concept of the method can be justified by the high cost involved by the collection of real information.

5. CONCLUSIONS

The usefulness of the information obtained through this method directly depends on the activity of the company. If the company manufactures based on orders, the main use may be the preparation of the cost estimate. If the marketed products are standardized, the UVA method will allow for adopting an adequate price policy. The price policy concerns not only the product prices but also the prices of the services associated to products and provided to customers such as: receiving the order, preparing the delivery, invoicing, etc. The method also offers the possibility of comparing the number of standard UVA cu with the number of UVA consumed.

The UVA method can be successfully applied both in bog companies as well as in small ones. Taking into account the peculiarities of the method and the specificity of the bakery industry, we consider it necessary to further research on the application of this method in small and medium enterprises. In these companies the method is easy, compared to a large enterprise, due to the low number of products and services, customers, UVA posts, etc.

We believe that an efficient information system, at company level, involves the integration of the following modules into bookkeeping: financial accounting, management accounting, customer management, supplier management, collections/payments management, inventory management, staff wages, tangible assets and the calculation of depreciation, management - dashboard/balanced scorecard. Each module will meet the needs of certain departments in the company. The results obtained in each module are transferred in a unitary and controlled manner to financial accounting, management accounting and the dashboard.

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