

CONSIDERATIONS REGARDING THE DATA SUPPLIED BY THE MANAGERIAL ACCOUNTING AND COST CALCULATION IN RELATION TO THE MANAGEMENT OF THE CONSTRUCTION- MOUNTING - INSTALLATION ENTERPRISES

Oprea CALIN

ASE Bucarest, Romania

Florin TUDOR

BRD SA Bucuresti,-Risk Control Department

Abstract :

The production cost is the synthetic indicator for the use of production factors in order to manufacture a product, for work execution purposes or service rendering.

The costs are surveyed on a micro and macroeconomic level, bearing a considerable importance in managerial decision making. The management applied on an economical entity (enterprise) uses internal information as well as data provided by the internal and international environment.

This information is used in managerial decision making as well as in the execution process that will finalise the proposed objectives.

In the construction-mounting and installation units the informing activity is set as the basis for management and execution processes. It can be stated that information is one of the most valuable resources in the economic unit, together with the unit's material, financial and human resources. The data supplied for the construction-mounting units is sent and thus used by means of an information system conceived and adapted to suit each and every economic entity.

Key words: construction, accounting, production, information

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INTRODUCTION

Managerial accounting and cost calculation as a science is closely related to the company management field.

Prior to the First World War there were two trends of company management:

- The trend/current conceived by the American engineer Taylor, trend also known as the Taylor System for work scientific management or Taylorism , a well-known characteristic of small private company management.
- The trend/current introduced by the Frenchman Henri Fayol, who dealt with issues regarding 'Scientific Management' within State organisation, an idea of business administration applicable to larger companies, dependent on the subventions and all financial aids supplied by the State .

Both systems have been characterised by inflexibility and they were hard to be put into practice since there had been no correlations between the realities imposed by the economic environment of the co-existing enterprises. Furthermore, both trends failed to take into consideration the particularities imposed by the technical-patrimonial structure for each enterprise activating within one or another economic branch in part.

After the Second World War the company management science has been directly influenced by the innovative automatic data processing systems. These systems have permitted certain data processing speed, superior to those manual and mechanical, used at the beginning of the last century.

When the computer had appeared, sometime in the fifth decade of the 20th century, it represented a crucial turning point, considering that, with the support of perfected data management systems, great decisions had been made regarding the economic organisms—in a cybernetic sense.

1. Appearance of managerial accounting within new economic environment

The study of company management, organisation and administration must survey the enterprise as a self-standing economic unit, but always connected to the external environment (the market and third parties). The purpose of a company is to produce goods/material values necessary for human consumption.

Thus, the company must be capitalised, which means endowed with a monetary or material capital (goods) supplied by its founders, in order to obtain profit.

The capital brought within the company may be enhanced or decreased and is submitted to risks that are covered by benefit. In what the company's wealth is concerned—also known as patrimony—this is separate from the one belonging to its founders. The evolution registered in company management and organisation has directly influenced the evolution of the general accounting.

Thus, the first form of accounting evolution had been that of going from simple/primary bookkeeping to the Double-Entry accounting system.

Once the Taylor management principles regarding companies had been abandoned and replaced by more perfected management models, the accounting science extended over patrimonial elements, other than receivables and liabilities.

At the same time, after the First World War (1914-1918), when humanity had to face one of the worst material crises in its history due to damages done to private companies, the economic term 'rationalisation' interfered with all company structures, in terms of management and related fields of activity: operating, sales, consumption etc. The operating activity started to be considered as the function within the company that produces the necessary goods/materials that will satisfy the human needs, using a minimum of production means for a maximum of achievements.

The accounting business started to be confronted with the issues regarding norms and regulations, as well as the calculation of correct prices from the economical reasoning point of view. Therefore the accounting has experienced - as a direct effect - the separation into two major components: 'Financial Accounting' and 'Managerial Accounting' - the latter also known as 'Analytical Accounting.'

The connection between the two forms of organising the accounting activities has been made by means of so-called 'link-accounts' and 'calculation accounts'.

At the same time, the accounting had started to interfere with the results of the different calculation methods and procedures for the effective and forecast costs.

Financial Accounting belongs to the company, considered as an entity interfering with the other economic organisms and is orientated towards the external, while the analytical accounting has as main object cost calculation and final production price. Note to mention that analytical accounting is also called managerial accounting, because is concerned with supplying accounting data to the company management in order to make informed business decisions regarding activity management and overall control.

The two sides of accounting can be differentiated from the following points of view:

- periodicity: the period of financial accounting is set as annual and is concluded by setting in place financial situations such as balances and profit and loss account, while the management accounting is performed on a monthly basis;

- classifying company expenses: analytical accounting only takes over, through costs, the expenses that have the potential to be incorporated, while the financial accounting holds records of all types of expenses, regardless of the fact that they are incorporated or not within production costs and return prices ;
- utilising the accounting plan: the two sides of accounting operate with different types of accounts, according to the external orientation level of the financial accounting and the internal orientation level of the management accounting, respectively;
- result calculation: financial accounting establishes a final result for the entire activity for the whole year, while the managerial accounting calculates, on a monthly basis, only partial results.

Marking the boundaries between the two sides of the accounting science does not come in breach with the Double-Entry accounting principle, which remains inviolable.

In our country, in conformity with the regulations settled by the Application Standard for the Accounting Law no. 82/1991, managerial accounting is organised by each company/patrimonial unit according to the features of their activities and of their needs, integrating as main objectives the following: cost calculation, establishing results and profitability ratio for products, works and rendered services, setting out revenues and expenses budget as per type of activity and its controlling in order to acknowledge the results and to supply the necessary information that will enforce the decision-making process regarding the management of the patrimonial unit and others alike.

Yet managerial accounting is not everything when it comes to the decision making process. It is but one of the instruments serving a management board to take informed decisions regarding company administration and control. The information submitted has to prove useful to any company management, to ensure the opportunity to exercise a more efficient control over the company activities and to support the decision making process.

Providing company's management with regular and relevant information will make it more efficient in solving company's problems .

To a great extent, managerial accounting deals with the future, just as it deals with predetermined systems, such as those based upon budgetary control and standard cost calculation. These systems analyse deviations (variations) that occur as a result of existing discrepancy between results obtained and results forecast through the proposed budgets and standards.

But, if it is desired that the managerial accounting system be efficient, it is essential that it is doubled by an equally efficient communication system. The latter should transmit the information clearly, in order for the users —in this case the managers and their personnel —be able to understand it and interpret it without any difficulties (by means of reports, graphs, tables etc).

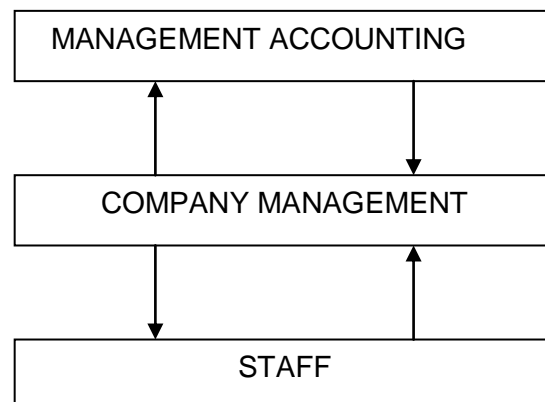


Figure no. 1. The communication system

2. Managerial accounting and industrial branch of construction

As a branch of material production industry, constructions must locate their importance in the process of improving the Romanian economy system, and in this respect ,accounting being one of the most brilliant creations of the human mind, is called upon to enhance its contributions to achieving this purpose by offering pertinent information and essentially by rendering a rigorous control over the efficiency of resource consumption from the public domain.

In construction-mounting-installation units, managerial accounting plays an important role in orientating and grounding the decision making process. Thus, the information comprised in managerial accounting offers support to the decision making process at the company management level, enabling their managers to administer resource costs as per allocated in order to attain the proposed objectives.

In constructions, as a rule, book-keeping and accounting for resource consumptions as attributes of managerial accounting is performed in the succession of calculation articles specific to the industrial branch as a value expression of estimated articles such as materials, labour, equipment, transportation, overhead expenses etc. At the same time, accounting treatment applied to expenses is performed according to their nature and destination—the expenses related to the execution of activities are being settled with the contracting authority by means of Payment Situations, updated or not, according to increase in prices and taxes.

Managerial accounting supplies the managers of the construction-mounting-installation units with a series of pertinent data regarding costs, to a degree of detail corroborated with the needs of each management level, allowing managers the opportunity to orientate activities as they consider. As Michel Capron showed “under the double effect of the pressure coming from the competition and from the multitude of products and production means, the enterprises felt the need to better acknowledge their costs in order to determine, with the outmost precision, the sale prices and reachable margins for each product. We are not only talking of projections, but of the possibility of conferring necessary means to keep control over the following of putting into practice management decisions. This could explain the current development of controlling and its privileged instrument, analytical accounting, which cannot be absent nowadays from any major company/enterprise”(CAPRON Michel, 1993).

That is why we could refer to managing an enterprise by means of cost system – so-called “management by costs”.

3. Managerial accounting and challenge of production costs cutting

In construction-mounting-installation units, the issue of operating cost cutting constitutes a management priority within sharp market competition. In order to survive and develop, the players on the industrial field of construction must acquire production means at the lowest prices possible, without neglecting quality however and reduce their utilisation costs by eliminating unjustified expenses and useless operations.

Therefore, economic agents operating in the industrial field of construction-mounting-installation must always take into consideration the so-called ‘cost efficiency’, which means that the objectives should be achieved by taking into account available resources and operating conditions at a certain moment, in the context of economic restrictions.

The reduction of operating costs must not, under any circumstances, afflict the quality of activities performed and of services rendered, because any cutting done against quality represents a loss for users firstly and later on, a risk for the company by spoiling its reputation on the market.

The cost of a product/work /service can be influenced only if acting upon the cost generating activities and if these activities are under the authority of a manager capable to optimise the start and work of the managed system.

These would be the reasons why the management and information accounting systems must always supply data regarding :

- clarifications upon the economic past and present;
- orientations (alternatives) regarding future economic strategies;
- pertinent, market orientated analyses;
- elimination of the random element from the decision-making process;
- solutions and motivations adequate for the decision making process.

The information generated by the managerial accounting in construction-mounting-installation does not limit itself to calculating production costs as a complex of past economic operation complex, but it also takes into consideration the elaboration of standard or planned costs and decision-making regarding:

- cutting and elimination of loss in supply and operating processes;
- increase in work productivity;
- optimum location of production equipment and devices;
- cutting of non-running time of equipments and also duration and value of maintenance and repair works
- stopping all irrelevant activities .

Production costs cutting in construction-mounting-installations could be realized by means of several ways :

a) improving the activities of technical-material supply, - that can be done generally by following the solutions listed below:

- optimal dimensioning of material supply (as a rule, the stocks of materials should be kept at a minimum, when it comes to dimensioning, since immobilising financial resources in stocks may create financial difficulties);
- sale of those materials leading to immobile or slow mobility stocks;
- adopting a policy of material supply based on strategic partnerships with the manufacturers in order to create the premises of supplying only with quality materials at low prices, for an extended period of time.

b) cutting of material expenses by decreasing the consumption of raw materials per production unit. Usually, the means utilised in this respect are:

- perfecting the operating technologies;
- elaborating consumption normatives and closely following of their complying ;
- replacement of expensive materials with cheaper ones without afflicting the quality of the work in progress;
- waste recycling (e.g. metallic wastes);
- intensive use of operating capacities, that will undoubtedly lead to a decrease in that part of the amortization on the work unit and therefore to a reduction of overall material expenses;
- better production and work management to avoid material loss and damages from improperly done works not approved/ received as well as a better security management for prevention of goods theft etc.

c) increase in labour productivity by relatively cutting the salary expenses as well as by their deduction in real terms from the total unitary cost of the work performed.

Since the workers' salaries cannot be deducted due to pressure from the unions, the management aims at using the existing labour force most efficiently, so that the rhythm of increase when it comes to medium wages/salaries does not exceed the growth rhythm of work productivity.

With the increase in work productivity, there is a decrease in production costs/expenses per product/work performed.

Measures of increasing work productivity in construction-mounting-installation units:

- improving the production and work management by intensively using the time allocated for work, of production means and labour force;
- material stimulation of employees by awarding bonuses and other money compensations according to individual performances;
- recruitment and training of qualified personnel for the necessary job at the necessary levels;
- permanent evaluation of staff and permanent improvement with regard to training and qualifications;
- simplification of the management process/system, improvement of work relation with the trade unions, improvement of the decision-making process and of the delegation system.

d) cutting of costs for equipment operating, following the solutions listed below:

- avoid overloading equipment in order to diminish the maintenance costs and, at the same time, their under-loading that might determine immobilizing financial resources that become stagnant;
- thoroughly grounding of spare parts needs;
- adopting an investment policy for acquiring high quality and high output equipments .

e) cutting of administrative costs by achieving an optimum balance between productive personnel and auxiliary personnel, by introducing informational systems at a managerial level/administrative processes and, last but not least, by increasing the production volume per production unit/work load performed/services rendered.

However the role of managerial accounting as a link between the operational system and the management system in the construction-mounting-installation units does not resume itself to keeping and calculation of production costs. The managerial accounting also supplies data regarding the valuation of certain elements of balance—especially stocks—ensuring the process of explaining results by comparing the actual costs both with forecast and sale costs. Surveying the deviations from the standard calculation costs and from the normatives within calculation methods ensures the decision-making process regarding the necessary corrective measures that may be imposed. At the same time, the information are supplied for the process of budgeting, allowing the forecast of expenses and income.

Managerial accounting is in close relation to all the other instruments of controlling, especially those regarding budgetary control and control panel. They have as a common element the possibility of supplying the company management with data gathered from the informational circuit.

4. Conclusions :

The place occupied by managerial accounting within the company's informational structure has been just given by its ability to supply information regarding internal processes that are exclusively under the authority of the company.

At an international level, the managerial accounting hasn't become the object of a potential normative design, as is the case of financial accounting. Still, Financial and Management Accounting Committee – FMAC) has proposed the following agenda:

- to support and encourage the development of managerial accounting by creating an environment that will improve the level of professional capabilities with regard to this particular discipline and the implication of economists and accounting specialists in a larger sense;
- to become a source of meditation and suggestions from a managerial accounting point of view;

- to encourage managerial accounting research carried out by professional organizations or individuals and spread the related results .

Consequently, the object of managerial accounting for economic agents in construction—mounting-installation units can be summed up as follows:

- calculation of production costs for work performed and services rendered;
- establishing results and profitability ratios for the work performed and services rendered as well as supplying related information to the unit management ;
- establishing income and expenses budgets and their controlling.

The construction-mounting-installation units are not provided with regulations and normatives regarding cost calculation per industrial branch. Managerial accounting uses the 9th class accounts so-called ‘internal management accounts’ integrated in the General Accounting Plan, designed and edited by the Ministry of Finance.

Furthermore, the competent authorities not provided specific regulations regarding real calculation methods for partial results (for the work performed and services rendered) allowing the economic agents to chose the most adequate method according to their core activity.

In relation to the third objective of the Romanian analytical accounting entitled ‘making of income and expenses budgets and their controlling’ the construction-mounting-installation economic units have the possibility to use budgets according to regulations issued by the Ministry of Finance, but controlling of these budgets seems to be very difficult. Therefore, the economic agents use simplified budgets according to the information needed by each management unit or external partner as well (especially the commercial bank).

In Romania, adopting managerial accounting in the construction-mounting-installation units differs from one unit to another, according to the unit size and management and their particular interest in satisfying their need of information and orientating the decision-making process. Thus the majority of the small enterprises and a fair share of the medium size enterprises do not have an organised form of managerial accounting, but deal with a post-calculation instrument, designed by the well-known regulations. Yet, a part of the medium size construction-mounting-installation enterprises organise and manage the managerial accounting instrument in a more or less advanced manner, according to financial and human resources allocated for this specific task.

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