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THE ROLE OF BATCH COSTING AND COST ACCOUNTING IN THE MANAGERIAL PROCESS

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Abstract: Starting from the premises that the informational system is a part of the management system of any company, it is always stated, completely rightly that the effectiveness of an company strictly related to the way in which this knows how to manage the information.

One of the problems the economic agents encounter nowadays is the lack of some coherent and well structured information that should assist the managerial decision at a superior level, as well as at inferior echelons.

Once with the stimulation and amplification of the company's competences in using the appropriate economic indicators of a market economy which is reflected in the increasing number and difficulty of decisions, we think that one of the basic elements, that have a determining influence in the decisional process, is the cost and the cost information.

The economic agents often find themselves in the situation in which part of their resources is limited and not act as they wish. The efficient use of the resources in order to get a substantial value in exchange of expenses requires important decisions. These must be based on the following principle: whenever a resource is showing a deficit, its contribution must be maximized.

Because of the fact that the cost has different meanings for each phase or technologic operation, for each place that is cost generator and for each product there is the need of knowing it in detail, at every level. It must be taken into account the fact that the information the batch costing provides, among other things, the premises that are necessary for:

- the analysis and the cost control at each cost generator;
- the operative management of each place generator of costs, the specification of the production and of the predicted costs and their control and realization;
- the correct assessment of the produced stocks;
- determination of the efficiency obtained by the taken decisions.

The priority given to the costs and results analysis can be explained by the functions the costs realize, that is:

- a. support for establishing the sale price;
- b. establishing the lower limit for price cuts that can be accepted.

In our opinion, the study of the costs and of the batch costing for the management process must begin with the notion of 'management', because the managerial accountancy is pre-eminently oriented towards the study of management efficiency.

The economic management, as a process of management of goods that form the estate of an economic unity, and of managing its activity, is directly conditioned by the way of organizing in which the whole economic potential is turned into account and subordinated to the accomplishment of the budget tasks, in conditions of maximum efficiency.

The basis of the economic management –as way of managing on budget base-is the realization of objectives in the budget with minimum costs so that the activity ends with a surplus amount of incomes in comparison with the expenses (profit) which must insure a degree of profitability as big as possible, on the whole as well as on each product, service or corvee. The materialization of this fundamental requirement involves a complex of technical and organizational measures which allow an optimal correlation of the production factors and to insure a proper use of all material and financial means, as well as of the manpower.

Viewed in this context, the economic management is a totality of correlations that exist and form in the process of development and progress of activity between the different elements of the material structure and of the manpower and which, in fact, express the production possibilities, the way in which these are used and with what results, as well as their comparison with the possible required level, depending on the existing economic potential.

Managing a company means always taking decisions whose effects are more or less lasting and deep. Some of these contribute to its actual functioning: the supplies, the sales, the establishment of the estimations, and the launch of orders. Others require a previous evaluation of the consequences referring to the importance of the sums and the risks the enterprise takes. This is the case of the investment decisions, financing, launching a new range of articles.

All these decisions are the expression of the general policy that aims at insuring a profitability taking into account the necessary resources for the activity and its security.

In order to reach these goals two strategies can be used: the strategy of conquering a new market, the strategy of penetrating the actual markets by diversification, specialization, redirection, etc. In each case, in order to succeed, the sale price of the products is the key element. Price maintenance can be tackled in two ways:

-tackling the market taking into account the product's values (the value of use, innovation and brand) as well as the behaviour of the consumers or buyers and of the competitors.

-tackling the costs that is the determination of the expenses done for a product, to which a margin is added.

Even if these two approaches are complementary and are the elements of a real price policy, the enterprises have the tendency to favor the costs policy. Indeed, in most of the cases, the sale prices are maintained starting from the costs, then making different adjusting which must emphasize the market elements.

Knowledge of prices is not necessary only for the maintenance of the sale price. The importance of knowing the costs must be seen in the light of the functions this one realizes.

The rapidity and the amplitude of the technological development gave an impulse to the competition and to the growth of the whole offer of the market and required that the enterprises invest more having as aim the either the strengthening or its weakening. Under these circumstances, to know the costs, their evolution and the modification of the constitutive parameters, is an absolutely necessary information for the adaptation of the enterprise to the environment.

On the other hand, the cost measures the conditions of putting into practice the resources allocated to realize a certain activity and consequently it is representative for determining the performances made using these resources. At the same time, it represents an evaluating factor for the capacity of management and skills to achieve the objectives. The cost is another element of information and communication and it participates to the motivation of the individuals.

These exigencies show the necessity of a system of permanent information that should provide the necessary data for the estimating costing and a methodology that authorizes the use of data for management and decision.

This methodology must be very useful for the managers and offer them solutions and coherent answers to the problem these have to deal with.

The directions in which this methodology acts and on which it is also structured are:

-the products;

-the activities;

-the internal functioning structures of the company.

The first direction regarding the PRODUCTS raises a few questions:

- a. What sale price must be established so that this one be the best umpire between the market constraints and the recurrence costs?
- b. What is the minimum price the company can lower to in order to gain a market, an order, etc.?
- c. Which is the most profitable product?
- d. Which is the best product combination for increasing the profitability of the company?
- e. What quantity of a certain product must be sold in order to become profitable?
- f. What influence has the growth of a production factor on the recurrence cost, the margin and the sale cost?
- g. What are the effects of an investment (of productivity or capacity) on the unit price?

These questions, that refer to the conditions of sale price maintenance, to the relation between volume and cost, to the influence of cost constituent elements evolution on the global cost and the margins, show a few essential aspects of products management.

As to the direction referring to the ACTIVITIES it is mentioned that any activity or center of activity is defined as a division of the general activity of the company for which there is the possibility of working out a different exploitation account and it is characterized by: the sales figure, specific costs and margins.

An analysis on activity centers contributes to the improvement of the management system proposing a significant synthesis of the unity behaviour in a certain domain.

Taking advantage of the opportunities of such an analysis conditions for a better command of the company evolution are created.

On the other hand, in order to command and supervise the evolution, as well as to control the cost, there is instituted the responsibility of the manager, fact that makes of it an essential element of management control.

Dividing the general activity of the company on centers of activity raises the interest for taking the decisions only when these ones require self means used with the same aim and their activity can be measured. If not, it operates only on a rearrangement of products depending on an established criterion, and the eventual correction actions will be limited to products level.

The questions that rise on the management of activities are focused on the following problems:

- a. Is it or not a profitable activity?
- b. What are the consequences of abandoning, maintaining or developing an activity?
- c. What volume must be realized of a certain activity in order to become profitable?
- d. What is the incidence of the activity own cost on the products' price?

The management on centers of activities involves treating the information offering at the same time a superior capacity of intervention.

THE INTERNAL STRUCTURES refer mainly to the own structure, specific, of the products and activities cost, structure that reflects the way of organization of the flux of operations done by these, the level of responsibilities and of taking decisions.

A company can choose the total or partial realization of the manufacturing process., for the distribution of products by itself or for charging some specialized companies with this task. Once made such a choice, in order to get an advantage, the company must excel.

These options have as basis the internal costs , compared to the external ones, making part from a long term strategic vision.

Knowing the specific internal costs of the company becomes essential to the products affecting as well as to the command and control of all the systems, for the permanent adaptation capacity to the environment.

There are a few questions referring to this problem:

- a. What is the cost level (the production level) at which the realization of a product or activity in the company is convenient?
- b. At what level of the cost the retreat is convenient?
- c. How do costs develop in time?
- d. Which is the influence of a certain evolution of the performance on the cost of an operation?

The system of information we refer to must allow getting the answers to all these questions, covering the three interdependent domains that emphasize three ways of costs and margins formation and consequently three steps in the management of a company, operations that lead to identical results.

Knowing the production cost is an essential element for taking the decision. Tackling the internal costs allows a comparison with the previous costs or with the costs of the similar companies. The analysis of the profitability on activities is related to that of the products to which it refers.

As a conclusion, the main steps of the methodology of costs analysis will be tackled starting from the product.

A modern management must follow the consumption of resources for obtaining a certain production, as well as the consumption made by the functions of the company which influence the growth and the evolution of costs, because the area of the costs is much larger than that of production of goods and services.

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