

DIRECTIONS TO IMPROVE MANAGEMENT ACCOUNTING AND COST CALCULATIONS IN FOOD INDUSTRY OF MANUFACTURING DAIRY PRODUCTS

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Abstract: The development of food industry of manufacturing dairy products in our country imposes increased efforts to find the most judicious means for management accounting and cost calculation improvement, in order to thoroughly identify and mobilize the existing internal reserves to achieve economic growth.

The management accounting and costs calculation improvement, as a basic element of the accounting system, without which an efficient leadership of internal management activities can not be achieved, has as main vector the improvement of management accounting and cost calculation methods implemented in the enterprises of food industry dairy.

JEL classification: M41, M11, Q1.

Key words: management accounting, cost calculation, methods, standard cost method, improvement.

1. INTRODUCTION

In terms of upgrading production and technical progress in general, the enterprises management of food industry dairy needs useful data to assess the carrying out of the manufacturing process, to control production costs enrollment in pre-established standards, which enable it to take decisions at the appropriate time and to assure the achievement of the objectives predetermined in budget.

Effective management of economic activity requires the implementation of modern methods which should not hinder outcome and the data provided not only relate to past periods and have an inversely proportional efficiency to the length of time they are offered. The methods used must provide operative data and foresight the use of production and time resources that determine the production costs.

Through the system and methods used, the management accounting should contribute to increased production efficiency, and rather than simply finding former facts it should to highlight the future development trend of the phenomena, so that one could rightly say, that it is a justified view that management accounting, which was at first an ascertaining study, increasingly tends to become a study having action in view.

In order to provide data concerning the efficiency of production costs on the one hand, and to forecast the development of management accounting on the other hand, it is necessary to promote different methods of costing based on pre-established expenses. In

this direction there are well-known the standard cost method, as well as combinations of various methods used by some advanced countries such as the direct costing method, the cost centers method etc.

Of all these methods it is the standard cost method that best meets the needs of the operational management of the value side of the production process and increase of economic efficiency. This confers to the production costs data, an operational, forecast and functional character.

2. THE NEED TO IMPROVE MANAGEMENT ACCOUNTING AND COST CALCULATIONS IN FOOD INDUSTRY OF MANUFACTURING DAIRY PRODUCTS

Food industry of manufacturing dairy products requires finding an innovative methods as regards the accounting management and cost calculation.

In the market economy where a particular importance is taken by the production efficiency and competitiveness, management accounting methods and cost calculation should provide more detailed information to the management reflecting all manufacturing and organization operations of the production, technical productive and organizational and managerial structure of the company.

Costing methods that have been developed and used in recent decades, corresponded to a certain production technologies. In the last years there have been important changes in the economy under pressure of global competition, which led to dramatic changes in doing business in many enterprises. These changes have created a new environment for cost calculation in a significant number of organizations. Once changed environment, traditional methods can not be applied. There are four trends that influence the cost calculation¹:

a. Implementation of manufacturing JIT (Just in Time)
 b. Introduction of the integrated manufacturing (CIM-Computer Integrated Manufacturing)

c. Development of information technology
 d. Abolition of regulations that require inspections of the job market in the services.

a. JIT manufacturing is based on demand. The idea is to produce a product when it is requested and only in quantities required by consumers. Production is pulled downstream customer orders and not pushed upstream production programs. Each operation produces only what is necessary to satisfy the needs of the next operation. No production does not occur until the next operation does not indicate its necessity. Materials appear only when it has to be used in production.

JIT allows companies to put more emphasis on quality and productivity, and at the same time, a more accurate estimate of the cost of producing goods.

b. Introduction of the integrated manufacturing (CIM-Computer Integrated Manufacturing)

Manufacturing Automation allows companies to reduce inventories, increase productive capacity, improve quality, reduce processing time. Automation can be a competitive advantage for the company. With the automation of many companies, competitive pressures incite the others to do the same. For many companies, automation is to survive.

c. Development of information technology

¹ Hansen, Don R., *Management Accounting*, PWS-KENT Publishing Company, 1990

By using computers, considerable amounts of information can be collected and reported to managers, about the time of their occurrence. This makes it possible to trace product in manufacturing products and can be reported the fabricated units, the used materials, the scrap and the costs

d. Abolition of regulations - in many services has increased the competition in this field. The competition triggered a struggle for survival and led the managers to be more aware regarding the need for accounting information for planning, control and decision. Today has increased the importance of this sector. Has increased its employees and many experts predict that this sector will continue to expand in size and importance, expansion that will be marked by increase in demand for accounting information.

Currently, the market has evolved due to the competition becoming more intense and is characterized by a demanding application in terms of quality and product customization. In addition to price competition by new forms of competition, such as diversification in the technical, delivery, after-sales services, recycling of used product. Enterprise performance is multidimensional, resulting from a combination of processes: minimum price, maximum quality, strict delivery deadlines. Thus, the market price is determined according to the attributes that the customer gives the product or service. So the company profitability depends on its ability to respond to market expectations.

To face strong international competition specific to current environment, companies must pursue as essentially objective the permanent increase production quality while reducing costs and product deadlines.

Achieving these objectives requires, among other measures, adaptation and improvement of production processes and use of new methods of production organization, which ensure the coverage of delivery demands submitted by customers, along with avoiding stock assets.

In the current economic conditions, industrial production is characterized by occurrence and expansion of new manufacturing design and product technologies.

Manufacturing technologies had evolved from partial mechanization of production, to complex mechanization and automation then.

If in the first form, automation is characterized by a certain rigidity, currently increases the role of flexible technologies and manufacturing processes of production, most of the time, fully automated.

The new design and manufacturing technologies significantly influence both the level as well as structure of expenditures, regarded by the entire chain: conception - design-production-service-use- decommissioning, so that the total cost of the product, the design costs have an important share, reducing other elements, such as those related to direct labor as a result of process automation processing.

Management accounting will have to prove its efficiency, especially on production costs, but also on forecast aspect. Therefore, should be considered different methods of costs calculation based on predetermined expenses. The best known method is the standard cost method, but there are others, as direct-costing method, cost centers method etc.

The standard-cost method is efficiently, which has an operational, functional and forecasting character, thereby ensuring a modern management.

3. THE PREMISES OF APPLYING STANDARD COST METHOD

Today, in food industry of manufacturing dairy products applies traditional methods of cost calculation based on actual production costs, such as: phases method and global method.

The most used cost calculation method is phases method that usually is used in enterprises that have as object the mass production, where to obtain the finished product it takes up to several phases in manufacturing process.

The object calculation is represented by the covered products and phases in manufacturing process, costs production being recorded in accounts opened each month on each phase, so that at the end of the reporting period, by aggregation of all costs, in the last phase of the production is obtained the actual cost of finished product. Technological process is a complex one, that converts raw material (milk) through successive stages, then are obtained semifinished which still are used in the drive or are valued by directly sale at the various third parties.

A disadvantage of using on phases method in dairy enterprises, would be that it does not provide separate evidence of productive costs from the nonproductive and are limited to group in direct and indirect costs production without judging the level of costs and vis-à-vis the variation of production volume.

All limits of management accounting system and cost calculation practice can be eliminated by standard cost method.

In the market economy, the measurement etalon of production efficiency in certain circumstances, is the standard. Standards express sizes or values scientifically established, both based on data from previous periods and the expected elements related to the conditions under which is appreciated the future development of enterprise activity. The main function of the method concerns further work, because the standards are used as measuring instruments, control and management of activity. The essence of the standard - cost calculation method is "to develop in advance the standard costs on products and to calculate, track, analyse and reporte deviations from standard costs".

According to the concept of standard – cost method, standard costs are considered actual costs or normal production costs. Normally cost calculation reduces to one, of standard costs, which become the basis for determining the sales price. Standard antecalculation should be sufficient, because it determines the expenses that are incurred in the normal development of production process and is based on cost standards, scientifically sound, which reflect concrete conditions and business opportunities.

Deviations from standard costs are an important element in the standard - cost method. They reflect the activity organization degree and classification of the programmed level into the production, supply and sales process.

Therefore, knowledge of these deviations are a necessity in order to inform operational decision-makers on certain disorders of the production process.

Correct assessment of the production cost, in terms of applying standard cost method, requires a number of premises in the organization of management accounting, premises which must be customized in relation to technical, organizational and economic conditions specific to enterprise. The most important of these premises are:

- organizing the flow of primary documents as primary carriers of information on production costs and obtained production
- organizing the preventiv and current control of production costs- involves the establishment and identification of effective cost deviations from the standard costs ever since of their occurrence

Performing preventive control aims liability regarding appropriate and economic expenditure of financial and material resources involved in the production process. This operation consists in targeting by the authorized bodies of each primary document which

undertakes production costs, from point of view of legality, opportunity and economic efficiency of its classification in the budget provisions and expenditure standards.

Preventive control creates the framework to identify actual costs deviations from the standard and to recording it in documents that underlie registration in accounting management.

Through the standard - cost method in the dairy industry enterprise the operational and postoperative control creates major advantages because it can analyze the deviations of actual expenses from the predetermined, on places of expenses (production department), on types and causes, and decisions can be taken quickly to eliminate the negative effects caused by them and the causes that generated them.

Standard calculation method - cost requires the following steps:

- standard calculations develop on products;
- calculation, tracking, recording, analysis and reporting deviations from standard costs
- cost control in terms of own indicators.

Applying the standard – cost method leads to increase the practical value of accounting information and to improve the organization of economic activity in food industry of manufacturing dairy products. All these will lead to a better base for cost budgets by establishing benchmarks which best express the enterprise normal business conditions.

Standard-cost method of industry of manufacturing dairy products refers firstly to increase the role of the production costs in ensuring the objectives of the budget, in directing and good functioning of enterprise.

4. ADVANTAGES OF USING STANDARD-COST METHODS

Currently, in the dairy products industry units is necessary to improve management accounting and calculation of costs, because the method used has certain disadvantages.

Thus, the improvement must be done in the direction of organizing cost centers in the company, of budgeting costs production, as well as towards implementing standard cost method in standard cost single.

Through the unit improvement through the organization on cost centers, there are advantages that accounting management support the effective the management activity at all levels and provides accurate and intelligence information for making the best decisions.

After organizing dairy industry enterprise on cost centers to anticipate the cost production and to achieve its operational control is draw up a budget cost. In the budget of cost production the management enterprise should evaluate the plans and identify operational changes that could improve the results.

Cost budgets are prepared each month for each cost center.

Thus, through budget process, management team trying to increase business profitability and avoid production gaps.

As a last direction of improvement of management accounting organization in dairy products enterprises is to implement the standard cost method in the version of standard cost single.

Implementation of standard-cost method is now a way of organization and management of dairy products activities based on the transition from the control function to the monitoring results, budget preparation and achieving, on providing in real-time the

management information and also, on increasing responsibilities within the divisional entities of productively process.

Firstly, the role of standard-cost method is to provide essential information on productin programs that offers an understanding of how to use own and attracted sources of the company in time and creating conditions for sustainable development in the future.

5. CONCLUSIONS

Given the the need for the management of any enterprise, engaged to the dairy industry, to conduct ongoing business of tracking and analyzing the results of production and income of the company's standard cost method used for calculation of costs and organization of tracking and cost analysis, appears as a useful and timely option for enterprises in the dairy industry.

In conclusion, each firm need to acquire the modern management techniques and to provide the formation of an adequate information system to the specific activity carried out.

Market economy imposes this and transform costs information in the main instrument for ensuring the competitiveness and profitability of the enterprise.

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