

ADMINISTRATION ACCOUNTANCY – A WAY OF PERFORMING FINANCIAL MANAGEMENT IN ROMANIAN SMALL AND MEDIUM-SIZED ENTREPRISES

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Abstract: In developed countries, administration accountancy and cost related problems represent primordial fields of concern, being a necessity for a working financial management. In accordance with Romanian Accountancy Law no 82/1991, administration accountancy and cost accountancy are compulsory. As a result of some studies it has been ascertained that most companies don't know how to correctly organize their administration accountancy and their system of cost accountancy.

Specialized studies have revealed the fact that many trading companies who didn't organize their administration accountancy, despite the fact that they had at the beginning a rapid soar, they subsequently entered a decline stage, just because the lack of an adequate administration accountancy system.

Within a competition environment expenditure control play a decisive part in enforcing managerial decisions, being a tool in the proper administration of a business.

Romanian companies which want to organize and to manage an administration accountancy, must elaborate their own researches and to appeal to specialists and survey and accounting consulting companies to adopt and implement an individual model of administration accountancy.

1. THE OBJECT OF ADMINISTRATION ACCOUNTANCY

According to the Accountancy Law no. 82/191, the accountancy system applied in the Romanian companies is made up of two subsystems: the financial and the administrative accountancy. This structure is a consequence of the general accountancy adaptation to the requirements of a market-oriented economy, requirements meaning to ensure on the one hand the transparency of accounts information necessary to external users, and on the other hand the confidentiality of the data from the internal administration of the company.

In the specialized literature, the administration accountancy is also known as managerial accountancy, internal or analytic accountancy or the exploitation accountancy. The information offered by the administration accountancy is exclusively meant for those who ensure the company's management, facilitating them the taking of decisions regarding the proper use of resources aiming to maximize the profit.

Depending on the type of the activity that is under way, administration accountancy must provide, primarily, the recording of operations concerning expenses collection and distribution on destinations, respectively on activities, departments, fabrication stages, cost centers, profit centers, if the case may be, and also acquisition, production, processing of entered and obtained goods, costs calculation, and also of executed tasks and rendered services, of underway production and immobilizations, in the production, commercial, service, financial units as well as in other domains of activity.

Administration accountancy is compulsory according to the Accountancy Law no. 82/1991, the responsibility for its organization belonging to the administrator. The administrator accountancy can be organized either by using specific accounts, or by developing the accounts of the financial accountancy or with the aid of the pertaining technical accountancy. The using of administration accounting accounts as well as their symbolizing has to be done in such a way that the saving and accessing the obtained information is a flexible process which can guarantee a large scale of options. The administration accounts list must be adjusted according to the desired purposes, respectively: the prominence given to the flux costs, the calculation of costs pertaining to stocks, the calculation of incomes and results depending on the generating activity, the undertaking of previsions, etc.

Administration accountancy offers the necessary information for the elaboration of reports and internal analyses, used by firm managers while making decisions. The requirements for the presentation and analysis of the information offered by administration accountancy are not limitative. When organizing the administration accountancy one will ensure that the obtained information satisfy both the existent information requirements and those in perpetual change.

The procedures and techniques used in the administration accountancy are established according to the qualitative characteristics of the information requested by the users, as well as to the particularities of the activity under way.

The Accountancy law no. 82/1991 stipulates that 'the commercial societies, national companies/societies, the autonomous administrations, the national research and development institutes, the co-operative societies and all the other juridical persons with a lucrative purpose have the obligation to organize and manage their own accountancy, i.e. the financial accountancy, according to the present law, and the administration accountancy adapted to the specificity of their activity'.

The object of administration accountancy is the analytical reflection of certain internal processes of the company which generate qualitative and quantitative changes of the assets.

The administration accountancy takes over the expenditure from the financial accountancy, which determines and analyses the result globally, according to the nature of expenses and income.

The administration accountancy is organized by each company according to its specific activities and needs, having the following primary objectives :

- Stock administration
- Estimation of product, service and activity costs ;
- Determination of the results and profitability of the products, services and executed works;
- Elaboration of the income and expenditure budgets on areas of activity;
- Cost and budget control through deflection, necessary for the decision making in the company's accountancy

As stipulated by the Accountancy law no. 82/1991, through the administration accountancy, the companies can obtain information that can ensure an efficient management of the assets, as follows:

- Information related to the cost of the goods, works, services, juridical persons who are actively involved in production, service offers as well as the cost of sold goods for the companies with commercial activities.
- Information that fundament the budget and the exploiting activity control.

- Necessary information for financial analyses having as a goal the strengthening of managerial decisions concerning the internal activity of a company.
- Other compulsory information for a proficient management.

Specific for the Romanian administration accountancy is the fact that the accountancy issues are centered on calculating the costs and analytical results. Also, the administration accountancy model adopted in Romania lacks the stock management objective, which is still realised through financial accountancy.

2.THE CLASSIFICATION OF THE PRODUCTIVE ACTIVITIES IN ADMINISTRATIVE ACCOUNTANCY

The productive activity realized within a firm can be grouped, according to its destination and importance in : basic activity, auxiliary activity and annex activity.

The basic activity forms the main object of activity within the company and consist of the obtaining of final products, intermediates, works and services. It is realised in the main production departments of the company(basic departments).In the administration accountancy these are called main places(centres) of production or of expenditure, of costs, respectively administration.

The auxiliary activity ensures the proper course of events of the basic activity. Within auxiliary activities one can include all the manufacturing of secondary products or the execution of works and services such as :the electrical power plant, the water plant, the steam plant, the maintenance and repairs workshop,, the transport department, etc. the auxiliary production is realised within the auxiliary production departments, departments called in administration accountancy secondary places(centres) of production or of expenditure of costs, respectively administration.

The annex activity is the activity within a company that has no direct connection with the basic activity, having as a goal the fulfillment of some socio-cultural and living needs of the company's employees such as. The obtaining of annex production is realised in annex departments such as the annex agricultural household, the annex dwelling household, etc. In the administration accountancy the annex departments are called secondary places(centres) of production or of expenditure, of costs, respectively administration.

The administration and management of all the activities that take place within the company are realized by the management and administrative department, department that constitutes a distinct place (centre) of expenditure and costs.

In administration accountancy the calculation and recording of expenditure is made on departments and production places, respectively on expenditure places and in continuation on the products manufactured within the respective departments and places, using specific accounts according to the production type and to the possibilities of identification of expenditure on the level of products or departments [1].

3.THE FACTORS THAT DETERMINE THE ORGANIZING OF THE ADMINISTRATION ACCOUNTANCY

Administrative accountancy is influenced, mainly, by the concrete conditions existing in companies belonging to different branches of the national economy.

The most important factors that determine the organization of the administration accountancy are : the company's profile, its organization structure, its production technology and the management methods and techniques.

A certain **activity profile** supposes the establishment of the main activity objective of the company and the orientation of the whole activity towards its realization. The realisation of the main objective requires different technological processes varying from one company to another. In administration accountancy, according to the company's profile, (industrial production, constructions, agricultural production, commerce, tourism, etc.) there appear different calculation objects and cost bearers.

The grouping of the production and administrative activity into sectors, departments, workshops and other expenditure places, influences the organization of the administration accountancy, mainly in the aspect of cost location and calculation works echeloning. According to the **organization structure** of the firm, there are delineations between the zones(sectors) of expenditure, respectively the responsibility centres.

The zones or sectors of expenditure represent technical and productive, organizational and administrative subdivisions of a company, reported to which budgeting, following and controlling of the activity of the expenditure zone or sector are made. Expenditure zones or sectors can be defined as the reunion of several working or production places.

Production technology (the ensemble of successive operations through which raw materials are transformed in finite products or through which services and works are provided) is an important factor that influences the organization of administration accountancy. From the point of view of technology, the activity of a company can be simple or complex.

Simple production consists either in the extraction from nature of some material goods (minerals, sand, stone etc.) or in the successive transformation of raw materials, the obtaining of the finite product being realised at the end of the last transformation stage (for instance, sugar production). Mass and great scale production are specific to simple production, the manufacturing process being organized as a continuous flux or on great stages.

Complex production comprises the production processes where the finite product is obtained through the assembling of pieces or subassemblies previously manufactured through independent technological processes, taking place in different locations, in parallel. This type of production appears in machine and complex devices manufactories. Specific to complex production are individual production (one of a kind items) and the small or medium-sized production. (on small and medium lots)

According to the way of organizing production and the production technology particularities, within the administration accountancy will be established the calculation objects, and taking these into account, the respective calculation methods.

The organization of administration accountancy can also be influenced by the **management methods and techniques** applied within the company. Thus, the company may select a calculation method of total(integral) cost-type or a calculation method of partial cost-type. Also, one can choose a classical calculation method (the global method, the on-

stages method or the on-order method), or an evolved calculation method, such as the method of standard or rationed costs, which ensures the accentuation of the prevision character and an increase in information operability.

4.THE ORGANIZING PRINCIPLES OF ADMINISTRATION ACCOUNTANCY AND OF COST CALCULATION

When organizing administration accountancy and the cost calculation the following principles must be taken into account :

- The principle of delineation in time of exploitation costs – which assumes that to each administration accountancy period correspond only the costs pertaining to the activity cost calculation is made for ;
- The principle of delineation in space of exploitation costs – supposes de delineation of exploitation costs on areas of activity (manufacturing costs proper – in basic and auxiliary sectors, administration and retail expenditure) and on production departments, workshops, technologic lines, responsibility centres, both in pre-calculation and in post-calculation ;
- The principle of cost separation implies the separation of exploitation expenditure from the other expenditures (financial and extraordinary). Financial expenditure (excepting the interest payments on loans for units with long-time span manufacturing) and extraordinary expenditure are not included in the production cost and are not the object of administration accountancy.
- The principle of delineation of under-activity costs – envisages the delineation and the evaluation of expenditure generated by production inferior to normal-capacity production. The under-activity cost, as a rule, is not included in the price of the product, but is directly reflected in the result of the exercise ;
- The principle of delineation of finite products expenditure and underway production expenditure – it implies de exact determination of unfinished production, in order to calculate correctly and exactly the real costs for finite products[2].

5.RESULTS AND CONCLUSIONS

In 2006 we conduced a survey in small and medium-sized enterprises in Maramures county on the way in which these organise and accomplish their administration accountancy.

Through this study we wanted to answer the following questions :

- which is the rate of small and medium-sized enterprises in Maramures county that accomplish a form of administration accountancy
- how many small and medium sized enterprises in Maramures county calculate the cost price of their products or services.

The research method adopted in order to gather data concerning the accomplishing the administration accountancy within small and medium-sized enterprises in Maramures county was the survey based on a questionnaire. 156 small and medium-sized enterprises in Maramures county were questioned.

After assessing the gathered data the following conclusions were drawn :

- Out of the 156 small and medium-sized enterprises only 28.85% accomplish their administration accountancy with the aid of class 9 accounts 'administration accounts'
- Out of the questioned enterprises, only 71.15% calculate the cost price for their products and services.

Taking into account the importance of correctly and exactly calculating the cost price for products and services realised in enterprises, irrespective of the fact that they are big, medium-sized or small, we believe that a great percentage of the small and medium-sized enterprises in Maramures county that were interviewed(28.85%), are exposed to the risk by not correctly knowing the costs with which their products and services are realised.

Also, the proportion of the companies that realise their administration accountancy with the aid of class 9 accounts 'administration accounts' is very small, which means that the enterprises don't have sufficient information to accomplish a successful cost management[3].

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