

BUDGETED COSTS - A NECESSITY IN COST MANAGEMENT IN ROMANIAN SMALL AND MEDIUM-SIZED ENTERPRISES FROM MARAMURES COUNTY

FELICIA SABOU, Associate Professor Ph. D.
Vasile Goldis Western University, Faculty of Economic Science
E-mail: feliciasab@yahoo.com

Keywords: budget, costs, cost management.

ABSTRACT: The budget is the instrument which helps the manager take optimal decisions, assume responsibility for using resources efficiently, and control the level of incomes, expenditure and profit.

The budget synthesizes the company's objectives, from a determined period of time, usually a year. These objectives are formulated in terms like: costs, prices and profit.

A budgeted cost is a necessity in a performing cost management in Romanian small and medium-sized enterprises. From the studies and observations made till now, in Maramures County, at the beginning of 2006, only 60,26% from Romanian small and medium-sized enterprises use the budget like an instrument for taking decisions.

I. INTRODUCTION

The budget represents the instrument with the aid of which the manager strengthens his decisions, assumes responsibilities to efficiently use resources, controls the income, expenditure and profit levels.

The budget synthesizes the objectives the company has endeavoured to attain in a determined time period, usually a year. These objectives are formulated in terms of cost, prices, profit, profitability, etc.

The budget is an instrument for armonising and making more efficient the relation between expenditure and income, inside an enterprise, through the budget the manager tries give a dimension and to control the equilibrium relation that has to exist between expenditure and income.

II. BUDGETED COSTS

Cost budgeting implies the establishing of budgets that allow the presentation of all enterprise previsions, through the creation of autonomous subsystems under the form of expenditure or profit centers.

Elaborating the budget means taking some steps, like:

- the department expenditure budget;
- the general administration expenditure budget;
- the retail expenditure budget;

All the budgets are integrated then in a general budget of a company. [1]

1. Budgeted costs for the production activity

Budgeted costs comprise the totality of the exploitation expenditure necessary for the realisation of the global production of the company, grouped according to their economic content.

Devising budgeted costs for the production activity entails several stages, namely:

- devising the department expenditure budget;
- devising the general administration expenditure budget of the firm;
- devising the retail expenditure budget;
- devising the general exploitation expenditure budget;

All the partial budgets mentioned above, are to integrate, progressively, in the general budget for production activity expenditure

Department expenditure budget

Department expenditure budget elaboration supposes the realization of the following components: expenditure budget for raw and primary materials, the budget for direct manufacturing, the budget for auxiliary activities expenditure, the budget for indirect expenditure for the main departments.

Expenditure budget for raw and primary materials

Expenditure for raw and primary materials are determined on the basis of consummation norms, established on classes of raw and primary materials, separately for each product and for the cost price of the respective raw and primary materials.

Balancing the consummation norms and the cost prices of raw and primary materials and the quantity of products we obtain the complete raw and primary material expenditure for each product. Summing up the complete raw and primary material expenditure for all the products realized by the company we obtain the overall raw and primary material expenditure for the company.

Budget for direct manufacturing

Expenditure with direct wages on product unit is determined by the balance of norm time on product unit with the wage list on time. Multiplying the wages on the product unit with the intended quantity to be realised for each product, one obtains the wage expenditure on product, that added up form then the total expenditure for direct wages.

In this budget are also included the state-controlled welfare contributions, the health insurance contributions, the unemployment fund contributions, and the contributions to other special funds.

Budget for auxiliary activities expenditure

The budget for auxiliary activities expenditure is drawn on elements of expenses, grouped on occasional places (auxiliary departments) and on expense bearers. Part of the auxiliary activities expenditure is identified on bearers, being direct expenses, listed in the budget on expenditure elements, and other expenses are divided between cost bearers, on different criteria.

Budget for indirect expenditure for the main departments

To draw this budget analytical budgets for indirect expenditure will be realised for each department, workshop, production center.

Within these analytical budgets expenditure will be set in expenditure groups, and within these groups in expenditure types.

Budget for indirect expenditure for the main departments

The drawing of the expenditure budget for general administration expenditure within the company consists of programming the expenditure in groups and types (stationery and consumables, inventory, power and sewage, other material expenses, works and services executed by a third party, taxes, payments, wages, contributions to the budget and to special funds pertaining to wages, amortization, etc.)

Retail expenditure budget

The elaboration of retail expenditure budget is distinctly made for export and internal sales. Within this budget there appear expenditure groups, and within those expenditure types (stationery and consumables, inventory, power and sewage, other material expenses, works and services executed by a third party, taxes, payments, wages, contributions to the budget and to special funds pertaining to wages, amortization, etc.) [3]

Exploitation expenditure general budget

The exploitation expenditure general budget centralises all the three types of budgets already mentioned, namely : the department expenditure budget, the general administration expenditure budget of the firm and the retail expenditure budget. Within this budget too the expenditure is divided into types.

2. Budgeted Cost Price

Cost price budgeting is realised on each product, service or work. This budget is realised extendedly, on calculation articles, according to the production cost structure

Budgeted Cost Price

PRODUCT: A

Nr.crt	Calculation Article	Vale
1	Raw and direct materials	
2	Direct Wages	
3	Social welfare and protection contribution pertaining to direct wages	
4	Plant maintaining and functioning expenditure	
5	Department general expenditure	
6	PRODUCTION COST	
7	Administration general expenditure	
8	Retail expenditure	
9	COMPLETE COST	

III. BUDGET CONTROL

Budget control consists in the comparison of the realizations with the previsions and the highlighting of possible miscalculations.

Within the classical methods of cost calculation, at the end of the accounting period, the real indicators are compared to those stated in the accounts, working out the miscalculations between the real expenditure as compared to the programmed one, and the difference between the real cost as compared to the programmed one. Through the intermediary of these differences it is realised the periodic control on production costs, on retail expenditure and on general administration expenditure.[4]

IV. THE BUDGET IN ROMANIAN ENTERPRISES FROM MARAMURES COUNTY

At the beginning of the year 2006 we realized a study on budgeting the activities inside the small and medium-sized enterprises in Maramures county. The aim of the study was to answer the following questions:

- What's the number of small and medium-sized enterprises in Maramures county have an income and expense budget at the beginning of the year 2006?
- How many small and medium-sized enterprises in Maramures county have distinct budgets on cost and profit centers?

The method adopted in order to gather data concerning budgeted costs 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, analyzing and interpretation of the questionnaire, the following conclusions resulted :

- 60.26% of the small and medium-sized enterprises interviewed have, at the beginning of the year an income and expense budget for 2006;
- out of the interviewed enterprises having an income and expense budget at the beginning of 2006, only 27.72% have distinct budgets on profit and costs centers.

V. CONCLUSION

From the results of the study, one may observe that the number of small and medium-sized enterprises in Maramures county that have drawn and are utilising, at the beginning of 2006 an income and expense budget for 2006 is insufficient, being only of 60.26%.

Taking into account the importance of this working tool in managerial activity, namely the budget, the number of those who use an income and expense budget in their activity should be by far greater. This result can sometimes explain the incertitude that hover above the small and medium-sized enterprises concerning their activities in the future.[2]

REFERENCES

1. Manolescu, Gh. (1999) *Buget – abordare economica si financiara*, Editura Economica, Bucuresti.
2. Sabou, F. (2005) *Costurile. Evidentierea lor in contabilitatea de gestiune*, Risoprint Publishing House, Cluj-Napoca, p.82-87.
3. Stet, M. (2004) *Consideratii asupra costurilor de distributie a marfurilor*, Symposium with international participation Scientific research a bridge for european integration, Arad.
- 4.*** *Colectia Contabilitatea, expertiza si auditul afacerilor*, Editur CECCAR, colectia 2001-2005.