

**STUDY REGARDING THE ALLOCATION OF PRODUCTION OVERHEADS
PROCEDURE: CONVENTIONALITY, SUBJECTIVITY AND INFORMATION
DISTORTION IN MANAGERIAL ACCOUNTING**

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Abstract

Traditional methods of cost calculating have become obsolete. The loss of relevance of traditional cost calculating systems is mainly due to the existence of a gap between the current model of enterprise control and the model of analysis centres, as well as the difference between the way of composing the actual cost and its image reflected by managerial accounting. The vision of the company on which the method of analysis centres was based no longer corresponds to the present reality. The approach of this study captures the complex and delicate subject of the allocation of production overheads procedure. Through the field research undertaken, it was aimed to identify and possibly solve the problems related to the rational allocation of these expenditures. The own contributions of the study are highlighted in particular at practical level, as an obvious result of the types of research undertaken. One of the fundamental objectives of the present study is to enhance the interest regarding the practical possibilities of protecting against the dangers of a creative managerial accounting system. A managerial accounting system, once implemented, will also attract the manifestation of creative accounting phenomena, especially in times of crisis. Having at their disposal the most relevant set of information, managers are tempted to resort to more or less ingenious techniques that are more or less questionable and more or less legal, in order to improve the financial statement presentation.

Key words: managerial accounting, production costs, production overheads, allocation of production overheads

JEL classification: M41

1. Introduction

From the start, the guidelines regarding the organization and management of managerial accounting in Romania can be considered insufficient. First of all, one cannot speak of normalization of managerial accounting, but of cost accounting. Second of all, it may be argued the absence of a consistent normalization by the fact that this managerial accounting is determined by the specifics of different activities. In these circumstances, the standardization of an organizational framework would be inappropriate. The advantage of the legislative flexibility in managerial accounting is more than cancelled by not knowing the importance of organizing such a system.

The first references are found in the Accounting Law [6], where, quite late, is mentioned the fact that organizing and managing cost accounting is mandatory, but it should be adapted the activity's specific. As stated earlier, flexibility is offset by the absence of the necessary tools for this organization and management.

The indication in the Accounting Law has been subsequently supplemented by the Implementing Regulation [4], where there are listed instructions on the way of classifying expenses and calculation methods (standard costs method, commands method, phases method, direct costs method etc.) As a result of the repeal of the Implementing Regulation of the Accounting Law there was issued an order for approving the specifications regarding several measures concerning the organization and management of cost accounting [5]. In this order, the classic objectives of cost accounting are completed with the ones that are aimed at obtaining the necessary information for piloting the company. In particular it is presented the importance of information on budgeting, control of operating activities, financial analysis, managerial decisions, conducting a performant management, preparation of reports and internal analysis used by management in making decisions. The final product of cost accounting must satisfy the existing needs for information, as well as those that are constantly changing. The instruments used by cost accounting are dependent on the qualitative characteristics of the information required by various users, the particularities of the conducted activities, the organizational structure, company size, production technology.

It is noticeable a timid attempt to shape a conceptual framework by reviewing several principles that ensure a real and exact content of costs: the principle of separation production costs and costs generated by other activities, the principle of costs delimitation in time (in fact, a restatement of the principle of exercises' interdependence), the principle of costs delimitation in space, the principle of delimitation between productive expenditures and those of unproductive nature, delimitation between expenditures regarding finished products and those related to production in progress. It should be noted that an exact production cost is utopic.

Regarding the cost structure there is retrieved information from the international IAS 2 Inventories accounting rule. This information contains references to the types of expenditure that can also be included, in certain circumstances, in costs and the elements that constitute expenses in that period of time. The concept of full cost continues to be mentioned, which is very dangerous from the author's point of view, as it promotes the arbitrary and cascading distributions of overheads (a partial improvement is provided by the ABC method, which is not mentioned). In addition, there is a contradiction related to the fact that this full cost implies costs that are not involved in obtaining the objects of calculation (it should be reviewed the principle of separating the production costs of those related to other activities).

It is maintained the classical classification of expenditures in direct ones and overhead (actually, production overheads), commercial expenditure, general administration expenditure and production overheads both variable and fixed. O problem is generated by the notion of normal capacity of the production facilities, but not due to the element itself, due to its practical perception: in Romania, the utilization of production capacity is either zero, or 100%. In the category of procedures and methods that can be used are indicated: the simple division process, the quantitative process, the equivalence indexes process, the process of quantity equivalence of the secondary product with the main product, the process of deduction of secondary products' value, the standard cost method, the commands method, the phase method, the global method, direct costing method. The list presented is not exhaustive, as the company may use any other method considered appropriate. It should be noticed the lack of references to modern tools and cost accounting, in general.

The necessity of evaluating based on the production cost is also mentioned in the Order no. 1802/29.12.2014 aimed at approving the Accounting regulations on the annual financial statements and the consolidated financial statements [7].

In the absence of professional guides aimed at presenting in a detailed manner the managerial accounting instruments, several papers have emerged, but mainly focused on financial accounting [2]-[8]. In these materials is enforced the timid awareness process regarding the importance and usefulness of the information provided by cost accounting. The national referential system provides insufficient information regarding the managerial accounting system. In this situation, accountants' practitioners are forced to seek other sources of information. Some of the most important are represented by academia and multinational companies, whose systems and tools are not available to everyone. There is no challenge in the understanding of the mechanisms of managerial accounting tools, the difficulty arising in their implementation. There should also be added the problems generated by a national behavioural characteristic: obligation works better than the awareness of the need. Both classical and modern managerial accounting tools do not benefit from an adequate popularization policy, of a process of raising awareness of those concerned and, who not, of accounting marketing.

Burlaud and Simon (1999) [1] stated that the allocation of production overheads can be considered a synthesis between the methods that are part of a stable universe logic (full cost methods) and those methods that are part of an unstable universe logic (separating fixed costs from overheads). It is resorted to vary fixed costs through the allocation of production overheads coefficient. This means calculating a full „out of season” cost.

Related to this process there are some difficulties in defining and determining the normal capacity of production. Norma IAS 2 Inventories considers the normal capacity as an average of several periods of normal activity. This seems insufficient. And it actually is. Subjectivity is favoured by choosing as „normal” the activity with the highest frequency. Due to the allocation of production overheads coefficient, all structure costs become operational, generating problems in accounting and in raising responsibility on inventories. Furthermore, the process is difficult to apply in the case of seasonal enterprises or those enterprises subject of technology, social or climate uncertainty. Inventories' evaluation must maintain the requirements of financial accounting, as in the cost of inventories it cannot be included an expenditure higher than the real one (the case of over-activity).

2. Research methodology

The advantage of the present study is the experiment and field research, which involved direct access to research subjects and the study case research, involving the analysis and interpretation of certain existing particularities. The collection and analysis of information was conducted on a total of 20 Romanian companies in the field of civil and industrial construction. The experiment research and the study case effectively covered five financial years, in the period 2010-2015, the subject of the knowledge process actively participating in this process. The experiments and study cases were based on real sources of information.

Through the field research conducted it was followed the issue of implementing some managerial accounting systems, the methods of determining and analysing production costs, implementing the most reasonable allocation of production overheads and, in particular, the tendencies of manipulating the information provided by the existing managerial accounting system.

3. Allocation of production overheads, between reality and creativity

In the context of implementing a managerial accounting system, management of certain companies did not entirely agree with the method of determining production costs derived from the direct cost method. These companies have imposed the identification of production overheads and their distribution on cost items. The assumed risk and disadvantages are related to the difficult identification of production overheads, the delimitation of certain expenses between production overheads and those generated by administration, the distribution bases conventionalism. The determination of the allocation coefficient is influenced both by the more or less real value of production overheads and by the chosen distribution base – the value of direct production costs. Or maybe the vulnerability of the allocation coefficient itself has led to the adoption and implementation of such a system.

The adopted technique consists in stimulating the slippage of certain expenses between the space of production overheads and administrative expenses. In other words, it is aimed to include or not certain expenses in the production cost. Obviously, the company's performance and the tax cost will be different from case to case. For this purpose there are carried out various simulations of the allocation coefficient value, obtaining several versions and choosing the one that is most suitable at a given time.

For example, there will be presented four images or versions of the allocation coefficient:

- initial version, based on the rough identification of production overheads;
- declared or recorded version, based on which the financial reports are based;
- the initial adjusted version, based on a finer identification of production overheads;
- radical version, or the one based on direct costs.

Based on the expenses balance for March, in year N (table no. 1) and the report on cost achievements there are determined the direct costs for each project (table no. 2). Next, the basis for the allocation of production overheads is established, this being represented by direct costs (table no. 3.).

The initial version suggests an affinity to include as many expenses in the cost as possible. The perpetuation of the weaknesses existing before the implementation of the new cost accounting system is so strong that is very difficult to allocate the expenses that are not direct between production overheads and those generated by administration. One can also argue the existence of a certain precaution, since the significant value of the expenses generated by administration can cause certain problems in controlling, analysing and interpreting the financial or accounting information. On the other hand, this superficial way of determining production overheads seriously affects the profitability of each project.

Table no. 1. Trial balance for class 6 – expense accounts for March, year N

Account's symbol	Account's name	Sum
602	Consumables	335.025,58
6021	Auxiliary materials	316.524,12
6022	Fuel	18.137,00
6028	Other consumables	364,46
603	Materials in the form of small inventory	547,97
604	Materials not stored	190,62
605	Electricity, heating and water	4.037,94
607	Goods for resale	124,00
611	Maintenance and repair expenses	7.916,49
613	Insurance premiums	4.287,15
6131	Insurance premiums – life insurance	0,00
6132	Insurance premiums - auto	4.287,15
622	Commissions and fees	0,00
623	Entertaining, promotion and advertising	1.010,81
624	Transport of goods and personnel	1.418,50
625	Travel	246,79
626	Postage and telecommunications	4.047,78
627	Bank commissions and similar charges	2.117,93
628	Other third party services	202.395,23
635	Other taxes, duties and similar expenses	402,00
641	Salaries	53.636,00
645	Social security contributions	14.860,00
6451	Company's contribution to social security	10.809,00

Account's symbol	Account's name	Sum
6452	Company's contribution to unemployment fund	516,00
6453	Company's contribution to health insurance	2.950,00
6454	Company's contribution to medical leave	456,00
6458	Other social security and welfare contributions	129,00
658	Other operating expenses	2.222,23
6581	Compensations, fines and penalties	515,98
6584	Other un-deductible operating expenses	1.706,25
6588	Other operating expenses	0,00
666	Interest expenses	1.340,21
668	Other financial expenses	0,00
681	Depreciation and provisions; adjustments for impairment losses – operating expenses	16.040,01
691	Income tax	7.808,00
Total class 6		659.675,24

Source: Processed by the author, 2016

The assignment of direct production expenses of each project and the determination of the allocation basis for production overheads are common for all four versions. The differences between them will be generated by setting the values for production overheads, for general administrative expenses and, consequently, for the allocation coefficient and production costs.

Table no. 2. Determining direct costs for March, year N

No. crt.	Project	Materials (6021, 6028)	Materials in the form of small inventory (603)	Materials not stored (604)	Other third party services (628)	Entertaining, promotion and advertising (623)	Total
1	Y1				388,79		388,79
2	Y2				159.698,20		159.698,20
3	Y3	167.922,75		118,44	19.797,96	27,50	187.866,65
4	Y4				474,44		474,44
5	Y5				397,29		397,29
6	Y6	137.738,89	7,40		10.319,44		148.065,73
7	Y7	5.189,16	109,24		0,00		5.298,40
8	Y8	2.122,15	0,00		2.920,41		5.042,56
TOTAL		312.972,95	116,64	118,44	193.996,53	27,50	507.232,06

Source: Processed by the author, 2016

Table no. 3. Setting the basis for allocating production overheads for March, year N

No. crt.	Project	Allocation basis
1	Y1	388,79
2	Y2	159.698,20
3	Y3	187.866,65
4	Y4	474,44
5	Y5	397,29
6	Y6	148.065,73
7	Y7	5.298,40
8	Y8	5.042,56
TOTAL		507.232,06

Source: Processed by the author, 2016

In the initial version there are fully considered as production overheads the following (table no. 4):
- insurance premiums (613 account);

- postage and telecommunications (626 account);
- salaries (personnel, excluding TESA/office staff) (641 account);
- social security contributions (645 account);
- other third party services (628 account);
- depreciation and provisions; adjustments for impairment losses – operating expenses (681 account).

The rest of the expenses registered in financial accounting are considered expenses generated by administration and they do not affect the value of production costs (table no. 5).

The allocation coefficient determined in the initial version (kvi) is:

$$kvi = 133.335,38 / 507.232,06 = 0,262868597$$

The total spending, considering the sources, is lei 659.675,24, the same with the total of the entire expenses, considering their nature (review table no. 1.).

Table no. 4. Production overheads for March, year N – initial version

No. crt.	Type of expense	Value
1	Auxiliary materials (602.01)	3.915,63
2	Fuel (602.02)	18.137,00
3	Other consumables (602.08)	0,00
4	Materials in the form of small inventory (603)	431,33
5	Maintenance and repair expenses (611)	7.916,49
6	Insurance premiums (613)	4.287,15
7	Transport (624)	1.418,50
8	Travel (625)	246,79
9	Postage and telecommunications (626)	4.047,78
10	Other third party services (628)	8.398,70
11	Salaries (641)	53.636,00
12	Social security contributions (645)	14.860,00
13	Interest expense (666)	0,00
14	Depreciation and provisions, adjustments for impairment losses (681)	16.040,01
TOTAL		133.335,38

Source: Processed by the author, 2016

Table no. 5. General administrative expenses for March, year N – initial version

No. crt.	Type of expense	Value
1	Fuel (6022)	0,00
2	Auxiliary materials and consumables (6021, 6028)	0,00
3	Materials in the form of small inventory (603)	0,00
4	Materials not stored (604)	72,18
5	Electricity, heating and water (605)	4.037,94
6	Goods for resale (607)	124,00
7	Maintenance and repair expenses (611)	0,00
8	Royalties and rental expenses (612)	0,00
9	Insurance premiums (613)	0,00
10	Entertaining, promotion and advertising(623)	983,31
11	Transport (624)	0,00
12	Travel (625)	0,00
13	Postage and telecommunications (626)	0,00
14	Bank commissions and similar charges (627)	2.117,93
15	Other third party services (628)	0,00
16	Other taxes, duties and similar expenses (635)	402,00

No. crt.	Type of expense	Value
17	Salaries (641)	0,00
18	Social security contributions (645)	0,00
19	Other operating expenses (658)	2.222,23
20	Interest expense (666)	1.340,21
21	Depreciation and provisions; adjustments for impairment losses – operating expenses (681)	0,00
22	Income tax (691)	7.808,00
TOTAL		19.107,80

Source: Processed by the author, 2016

Finally, production costs are determined by aggregating direct costs with the corresponding share of production overheads (table no. 6):

Table no. 6. Production expenses for March, year N – initial version

No. crt.	Project	Direct costs	Production overheads	Production cost
1	Y1	388,79	102,20	490,99
2	Y2	159.698,20	41.979,64	201.677,84
3	Y3	187.866,65	49.384,24	237.250,89
4	Y4	474,44	124,72	599,16
5	Y5	397,29	104,44	501,73
6	Y6	148.065,73	38.921,83	186.987,56
7	Y7	5.298,40	1.392,78	6.691,18
8	Y8	5.042,56	1.325,53	6.368,09
TOTAL		507.232,06	133.335,38	640.567,44

Source: Processed by the author, 2016

The net earning corresponding to the initial version is determined as follows (the information regarding the total revenues and expenses is provided by the company's trial balance at 31.03.N):

• Total revenues	2.410.211,30
- Total expenses	-2.285.019,37
= Earning (121)	=125.191,93
+ Total un-deductible expenses	+16.987,82
Insurance premiums (6131)	1.206,36
Other taxes, duties and similar expenses (635)	1.314,05
Fines and penalties (6581)	750,50
Other un-deductible operating expenses (6584)	5.908,91
Income tax (691)	7.808,00
• Taxable earning	142.179,75
• Payable income tax	22.749,00
• Net earning	110.250,93

The company's management is not willing to bear on the short-term the burden generated by the income tax of the first quarter of financial year N. Thus, in the declared version the approach is the opposite of the one used in the initial version. The expenses accounts that could not be directly assigned (accounts 613, 626, 641, 645, 628) undergo a full transfer in the general administrative expenses category, and the account 681 will be distributed in a not very accurate manner between the two categories of indirect expenses (table no. 7, table no. 8). The production costs calculated in this manner will register a reduction and will determine the appropriate adjustment of the result (table no. 9).

Table no. 7. Production overheads for March, year N – declared version

No. crt.	Type of expense	Value
1	Auxiliary materials (6021)	3.915,63
2	Fuels (6022)	18.137,00
3	Other consumables (6028)	0,00
4	Materials in the form of small inventory (603)	431,33

No. crt.	Type of expense	Value
5	Maintenance and repair expenses (611)	7.916,49
6	Insurance premiums (613)	0,00
7	Transport (624)	1.418,50
8	Travel (625)	246,79
9	Postage and telecommunications (626)	0,00
10	Other third party services (628)	0,00
11	Salaries (641)	0,00
12	Social security contributions (645)	0,00
13	Interest expense (666)	0,00
14	Depreciation and provisions; adjustments for impairment losses (681)	7.046,00
TOTAL		39.111,74

Source: Processed by the author, 2016

Table no. 8. **General administrative expenses for March, year N – declared version**

No. crt.	Type of expense	Value
1	Fuel (6022)	0,00
2	Auxiliary materials and other consumables (6021, 6028)	0,00
3	Materials in the form of small inventory (603)	0,00
4	Materials not stored (604)	72,18
5	Electricity, heating and water (605)	4.037,94
6	Goods for resale (607)	124,00
7	Maintenance and repair expenses (611)	0,00
8	Royalties and rental expenses (612)	0,00
9	Insurance premiums (613)	4.287,15
10	Entertaining, promotion and advertising (623)	983,31
11	Transport (624)	0,00
12	Travel (625)	0,00
13	Postage and telecommunications (626)	4.047,78
14	Bank commissions and similar charges (627)	2.117,93
15	Other third party services (628)	8.398,70
16	Other taxes, duties and similar expenses (635)	402,00
17	Salaries (641)	53.636,00
18	Social security contributions (645)	14.860,00
19	Other operating expenses (658)	2.222,23
20	Interest expense (666)	1.340,21
21	Depreciation and provisions; adjustments for impairment losses (681)	8.994,01
22	Income tax (691)	7.808,00
TOTAL		113.331,44

Source: Processed by the author, 2016

The allocation coefficient determined in the declared version (kvd) is:

$$kvd = 39.111,74 / 507.232,06 = 0,077108178$$

Table no. 9. **Production costs for March, year N – declared version**

No. crt.	Project	Direct costs	Production overheads	Production cost
1	Y1	388,79	29,98	418,77
2	Y2	159.698,20	12.314,04	172.012,24

No. crt.	Project	Direct costs	Production overheads	Production cost
3	Y3	187.866,65	14.486,06	202.352,71
4	Y4	474,44	36,58	511,02
5	Y5	397,29	30,63	427,92
6	Y6	148.065,73	11.417,08	159.482,81
7	Y7	5.298,40	408,55	5.706,95
8	Y8	5.042,56	388,82	5.431,38
TOTAL		507.232,06	39.111,74	546.343,80

Source: Processed by the author, 2016

The net earning corresponding to the declared version is determined as follows:

• Total revenues (2.410.211,30+(546.343,80-640.567,44))	2.315.987,66
- Total expenses	-2.285.019,37
= Earning (121)	=30.968,29
+ Total un-deductible expenses	+17.833,66
Insurance premiums (6131)	1.206,36
Other taxes, duties and similar expenses (635)	1.314,05
Fines and penalties (6581)	750,50
Other un-deductible operating expenses (6584)	5.908,91
Income tax (691)	7.808,00
Entertaining, promotion and advertising (623)	845,84
• Taxable earning	48.801,95
• Payable income tax	7.808,00
• Net earning	30.968,29

The *adjusted initial version* requires a finer division of indirect expenses between production overheads and general administrative expenses. This reallocation required the analysis of the financial-accounting documents related to March, year N. Excepting the conventionalism of the allocation base, this version is the one that provides the correct information regarding the company's performance. The basic principle is to obtain an approximately real financial presentation, than a completely wrong one. The results were presented to the company's management as the real support in the decision making process (tables no. 10, 11, 12).

Table no. 10. **Production overheads for March, year N –initial adjusted version**

No. crt.	Type of expense	Value
1	Auxiliary materials (6021)	0,00
2	Fuels (6022)	9.135,00
3	Other consumables (6028)	0,00
4	Materials in the form of small inventory (603)	0,00
5	Maintenance and repair expenses (611)	6.200,00
6	Insurance premiums (613)	3.015,00
7	Transport (624)	1.418,50
8	Travel (625)	246,79
9	Postage and telecommunications (626)	0,00
10	Other third party services (628)	0,00
11	Salaries (641)	53.636,00
12	Social security contributions (645)	14.860,00
13	Interest expense (666)	0,00
14	Depreciation and provisions; adjustments for impairment losses (681)	10.568,15
TOTAL		99.079,44

Source: Processed by the author, 2016

Table no. 11. **General administrative expenses for March, year N – initial adjusted version**

No. crt.	Type of expense	Value
1	Fuel (6022)	9.002,00

No. crt.	Type of expense	Value
2	Auxiliary materials and other consumables (6021, 6028)	3.915,63
3	Materials in the form of small inventory (603)	431,33
4	Materials not stored (604)	72,18
5	Electricity, heating and water (605)	4.037,94
6	Goods for resale (607)	124,00
7	Maintenance and repair expenses (611)	1.716,49
8	Royalties and rental expenses (612)	0,00
9	Insurance premiums (613)	1.272,15
10	Entertaining, promotion and advertising (623)	983,31
11	Transport (624)	0,00
12	Travel (625)	0,00
13	Postage and telecommunications (626)	4.047,78
14	Bank commissions and similar charges (627)	2.117,93
15	Other third party services (628)	8.398,70
16	Other taxes, duties and similar expenses (635)	402,00
17	Salaries (641)	0,00
18	Social security contributions (645)	0,00
19	Other operating expenses (658)	2.222,23
20	Interest expense (666)	1.340,21
21	Depreciation and provisions; adjustments for impairment losses (681)	5.471,86
22	Income tax (691)	7.808,00
TOTAL		53.363,74

Source: Processed by the author, 2016

The allocation coefficient determined in the initial adjusted version (kvia) is:

$$kvia = 99.079,44 / 507.232,06 = 0,195333552$$

Table no. 12. Production costs for March, year N – initial adjusted version

No. crt.	Project	Direct costs	Production overheads	Production cost
1	Y1	388,79	75,94	464,73
2	Y2	159.698,20	31.194,42	190.892,62
3	Y3	187.866,65	36.696,66	224.563,31
4	Y4	474,44	92,67	567,11
5	Y5	397,29	77,60	474,89
6	Y6	148.065,73	28.922,20	176.987,93
7	Y7	5.298,40	1.034,96	6.333,36
8	Y8	5.042,56	984,98	6.027,54
TOTAL		507.232,06	99.079,44	606.311,50

Source: Processed by the author, 2016

The net earning corresponding to the initial adjusted version is determined as follows:

• Total revenues (2.410.211,30+(606.311,50-640.567,44))	2.375.955,36
- Total expenses	-2.285.019,37
= Earning (121)	=90.935,99
+ Total un-deductible expenses	+16.987,82
Insurance premiums (6131)	1.206,36
Other taxes, duties and similar expenses (635)	1.314,05
Fines and penalties (6581)	750,50
Other un-deductible operating expenses (6584)	5.908,91
Income tax (691)	7.808,00

• Taxable earning	107.923,81
• Payable income tax	17.268,00
• Net earning	81.475,99

The radical version was developed to counter the difficulty of identifying production overheads and arbitrary allocation criterion (tables no. 13, 14). This version is based on direct costs, and expenses likely to be production overheads are considered general expenses. In this situation, the values of production overheads and of the allocation coefficient are void. In fact, the radical version corresponds, with certain adjustments, to the managerial accounting system proposed and implemented in most societies that were part of the field research. The necessary adjustments refer to a deeper analysis of the presumed production overheads, since a significant part of these can be directly allocated to certain projects, before entering data in the informatics system.

Table no. 13. General administrative expenses for March, year N – radical version

No. crt.	Type of expense	Value
1	Fuel (6022)	18.137,00
2	Auxiliary materials and other consumables (6021, 6028)	3.915,63
3	Materials in the form of small inventory (603)	431,33
4	Materials not stored (604)	72,18
5	Electricity, heating and water (605)	4.037,94
6	Goods for resale (607)	124,00
7	Maintenance and repair expenses (611)	7.916,49
8	Royalties and rental expenses (612)	0,00
9	Insurance premiums (613)	4.287,15
10	Entertaining, promotion and advertising (623)	983,31
11	Transport (624)	1.418,50
12	Travel (625)	246,79
13	Postage and telecommunications (626)	4.047,78
14	Bank commissions and similar charges (627)	2.117,93
15	Other third party services (628)	8.398,70
16	Other taxes, duties and similar expenses (635)	402,00
17	Salaries (641)	53.636,00
18	Social security contributions (645)	14.860,00
19	Other operating expenses (658)	2.222,23
20	Interest expense (666)	1.340,21
21	Depreciation and provisions; adjustments for impairment losses (681)	16.040,01
22	Income tax (691)	7.808,00
TOTAL		152.443,18

Source: Processed by the author, 2016

Table no. 14. Production costs for March, year N – radical version

No. crt.	Project	Direct costs	Production overheads	Production cost
1	Y1	388,79	0,00	388,79
2	Y2	159.698,20	0,00	159.698,20
3	Y3	187.866,65	0,00	187.866,65
4	Y4	474,44	0,00	474,44
5	Y5	397,29	0,00	397,29
6	Y6	148.065,73	0,00	148.065,73
7	Y7	5.298,40	0,00	5.298,40
8	Y8	5.042,56	0,00	5.042,56
TOTAL		507.232,06	0,00	507.232,06

Source: Processed by the author, 2016

The net earning corresponding to the radical version is determined as follows:

• Total revenues (2.410.211,30+(507.232,06-640.567,44))	2.276.875,92
- Total expenses	-2.285.019,37
= Earning (121)	=-8.143,45
+ Total un-deductible expenses	+18.612,89
Insurance premiums (6131)	1.206,36
Other taxes, duties and similar expenses (635)	1.314,05
Fines and penalties (6581)	750,50
Other un-deductible operating expenses (6584)	5.908,91
Income tax (691)	7.808,00
Entertaining, promotion and advertising (623)	1.625,07
• Taxable earning	10.469,44
• Payable income tax	1.675,00
• Net earning	-2.010,45

In a comparative and synthetic manner, the information provided by the four versions is presented in table no. 15:

Table no. 15. Comparative results for March, year N

Item	Initial version	Declared version	Adjusted version	Radical version
DIRECT COSTS	507.232,06	507.232,06	507.232,06	507.232,06
PRODUCTION OVERHEADS	133.335,38	39.111,74	99.079,44	0,00
GENERAL ADMINISTRATIVE EXPENSES	19.107,80	113.331,44	53.363,74	152.443,18
ALLOCATION COEFFICIENT	0,262868597	0,077108178	0,195333552	0,0000000
PRODUCTION COST	640.567,44	546.343,80	606.311,50	507.232,06
INCOME TAX	22.749,00	7.808,00	17.268,00	1.675,00
NET EARNING	110.250,93	30.968,29	81.475,99	-2.010,45

Source: Processed by the author, 2016

4. Conclusions

A cost accounting system, once implemented, will also attract the manifestation of certain creative accounting phenomena, especially in times of crisis. Having at their disposal the most relevant set of information, in order to improve the presentation of financial statements, managers are tempted to resort to techniques that are more or less ingenious, more or less questionable, and more or less legal.

Ionașcu (2003) [3] stresses the difference between creative accounting and accounting fraud. Adapting accounting policies to economical evolutions should not be confused with those techniques that more or less bypass accounting rules. The border between creativity and illegality is sometimes difficult to establish. This confusing division is often maintained by those who promote and use the pervert side of creative accounting.

One of the most important problems of managerial accounting tools is represented by traceability and rational allocation processes. Obtaining precision is permanently limited by the cost of obtaining the information. This aspect is more and more addressed by informatics technology, which removes the barriers to achieving accuracy. The cost of designing suitable informatics systems that are adapted to organizational needs is placed far below the value of the advantages it can bring. Limits appear in terms of cost accuracy, especially in the minds of those whose motto is „different costs for different goals”. Costs considered being useful in particular situations do not represent real costs. Cost accuracy is perceived rather from a decisional perspective, than from an objective one. The subjectivity of criteria for allocation of production overheads remains in force even in the transition conditions towards advanced manufacturing systems. The effect is to reduce direct labour and to increase indirect costs. Replacing the classical allocation base (direct labour) with measures specific to new technologies (hours-car, occupied surface, installed capacity etc.) does not solve the problem. Furthermore, there is no causal link between the value of the consumed resources and the generating elements of these consumptions. The ABC method does not always represent a solution, either due to the implementation difficulties, or due to its inadaptability to certain organizational environments. But even this method keeps alive a certain conventionalism in allocating indirect expenses.

Managerial behaviour can affect managerial accounting practices, as evidenced, in particular, at national level. Managerial decisions can determine the form of the accounting information, based on certain objectives. The managerial strategy which, wrongly, is reorienting on short-term (or even very short-term) involves mutations in producing accounting information. The tendency to invent and use creative accounting techniques in their negative side becomes a feature of Romanian managers, elevated to common practice. The manager's perception on the accounting system in general simply comes down to the idea that absolutely everything is possible and the consequences can be

easily minimised. Finally, the cash flow route imposes the form of the accounting information and the performance level.

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