USE OF THE INFORMATION SYSTEM COSTS UNDER MANAGEMENT PROCESS

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Abstract:

Decision-making takes place at all levels of the organization, taking into account both short-term outlook and long-term perspective. Plans are implemented by decisions whose purpose is materialized by formulating rational conclusions obtained as a result of financial and quantitative analysis. Thus, managerial accounting practice is deeply involved in decision making, a basic requirement of the existence of a solid managerial accounting information system cost, able to provide fundamental data.

Key-words: *cost, decision making, management decisions, competitiveness*

Clasificare JEL : *M40, M41*

1. Introduction and context of the study

Knowing the cost is a decisive factor in taking decisions and planning future activities. For the information of "cost" to be useful for decision making in the management process in an organization must meet the following characteristics:[1]

- ✓ *relevance - information is relevant when that influence economic decisions of users by helping them evaluate past events in acetic present or future, to confirm or correct their previous evaluations;*
- ✓ *credibility - requires that information on costs not contain significant errors and the user have confidence in it;*
- ✓ *intelligibility - can be excluded because information on costs is aimed at managers who are deemed to have cunotințe enough to understand it;*
- ✓ *comparability - feature especially true when analyzing the relationship between actual costs and the pre-calculated.*

As stated by some experts, a cost information is important for managers of at least three reasons:[2]

- ✓ underlying cost sourcing decisions, manufacturing or abandonment of a product;
- ✓ costs can be a basis for a price;
- ✓ through cost analysis can identify needs to improve products or manufacturing process.

Choosing an information system depends on the specific decision. It depends on the existing information, the decision tree implemented information system cost and optimum condition followed by the decision maker. The role of management accounting is to provide the necessary information reflecting the effects of risk decision making under uncertainty and the most probable results. The cost information is an integral part of management accounting is the basis accounting information system of an organization[3].

Given that for managers, decision making is a challenging task, they need to consider a range of information on the costs of production (which is the basic factor of its preparation)[4], namely:

- ✓ be considered only relevant costs, which changes depending on the approach taken, the universe of its time;
- ✓ choice decision involves giving up other variants;
- ✓ choosing a solution envisages behavioral testing costs per case;
- ✓ able to operate on a cost means the influence of the causes triggering the process (activities) they consume in organizing this process, which responds to the needs of the organization and capacity costs which it entails.

Arguably, the role of information system of costs of establishing budgets, standard costs and actual costs of operations, processes, activities or products and employees analysis, profitability or use of funds[5]. Although initially (now more than a century) costing only concerned productive activities, today it has expanded and unproductive activities, such as finance and banking, government institutions, units nonpatrimoniale, ş.a.[6]

The main function of cost calculation is to help managers in increasing profitability. However, the use of cost calculation should not aim to justify illegal or unethical increase profits. Planning, control and decision making by managers is correlated with the implications they have on others within or outside the organization.

The cost of providing information regarding ongoing conditions of an activity, the data are used in better tracking and analysis of manufacturing processes, but also for a more efficient use of funds and economic resources.

2. Criteria for the classification of costs

To capture as best role and place information on the costs of the decision-making process, they can be structured according to several criteria.

According to their importance in the decision making process differ:

- ✓ *accounting costs* -represent expenditures with historical value in specific documents and refers, in different forms of evidence, from raw materials, materials, salaries, utilities, rent, interest, fees, etc. Cost accounting records and periodic changes in the value of funds in the form of discounts, depreciation, etc.;
- ✓ *marginal costs* -are considering swapping they produce in the total cost of additional units of a product. They are especially significant for the decision-making on the allocation of resources and the formation of prices. To this end the management through costs marginal analysis approach recommended as effective tool in determining the optimum level of activity[7];
- ✓ *relevant costs* -are those that make the difference between different variants or decision-making options;
- ✓ *cost of profit opportunity* -is the best placement of capital alternatives, if possession of scarce resources. Where there is no alternative to use of the resource, opportunity cost is zero. This type of cost calculation, however, is difficult, because the necessary information is not found in the accounting records;
- ✓ *technical costs* -are determined by the volume of production and consumption and working materials. The level of these costs is determined by the specific consumption of materials and labour required for obtaining a product, the quantity of products obtained and their selling price;
- ✓ *embedded costs* [8] -represent the cost of resources already purchased, the total of which was created by a decision made in the past and which can no longer be changed by a future decision for which this value is taken as a cost that can no longer be changed and classified as embedded. These costs are irrelevant to a decision process, but it does not mean that all irrelevant costs are embedded costs;
- ✓ *relevant costs* -that relate to future costs, over which it can act, being used as alternatives in decision-making;
- ✓ *indifferent costs* -are passed onto the costs which can no longer act for justification of future decisions.

After the power of influence of cost leadership[8]*:*

- ✓ *reversible and irreversible costs* - a cost is irreversible when it cannot intervene over the decision of hiring;
- ✓ *controllable costs and costs managed* – controllable cost is that on the occurrence of which the aggregate power manager while the cost given is imposed from the outside of the unit manager;
- ✓ *cost determined and discretionary costs* – a cost is determined when it is possible to establish a relationship of interdependence between him and the production obtained is discretionary and when this relationship cannot be established;
- ✓ *visible costs* and *hidden costs* – hidden costs are expenses of the entity that are accounted for in the normal way, but cannot be isolated and identified as such (accidents at work, quality defects);
- ✓ *internal costs* and *external costs* – internal costs are made up of those internal production costs and the external entity are expenses that you transfer the unit to third parties.

After the impact of cash flows can be group into:[9]

- ✓ *monetary costs* - what are those expenses paid;
- ✓ *non-monetary costs* - represents the calculated expenses such as depreciation and provisions.

It follows that the decidentului authority is limited to the internal costs, controllable. It manifests itself on the visible costs, reversible and determined. Manager says little on managed and outsourced costs. Although irreversible costs should not be taken into account when deciding, because you can not return to their, should not underestimate the importance of their opportunity cost. Opportunity cost is an economic valuation that attaches opportunities forgone when making the choice. He is the loss resulting from waivers involved in any option. Managers try, increasingly more, to integrate opportunity costs in economic analysis of management problems; this is especially the social opportunity costs, as a conflict, or degradation of the social climate, as a source of loss. The opportunity cost analyzes, so, more than likely a waste of resources than an actual cost[3].

3. Using a cost information by company management

For cost information system, an enterprise level, to be effective and provide useful information for decision making and control their effects, it must meet the following requirements:

- ✓ to be suitable from the point of view of production;
- ✓ reports, statements and analyzes provided by the system must contain relevant information purpose;
- ✓ information provided should occur at regular intervals, rather small to be relevant and sufficiently detailed for the purpose intended.

In Table no.1 shows some of the information provided cost information system and their possible use by enterprise management so:

Table no.1. **Possibilities of using type information cost by management**

Information provided by the information system cost	Possible uses of this information by management
I. The unit cost of a product or service work	• Decisions on fixing the selling price, production planning and cost control; • Decisions on acquisition or abandonment of goods; • Assessment (measuring) and performance management.
II. The cost of running a workshop, a department, etc.	• Decisions regarding organizational structure, improving the production process and control activities.
III. Wage costs a lot of goods or a period	• Production planning, wage policy.
IV. Scrap volume and technological losses	• Production planning, expenditure control materials.
V. Costs behavior depending on activity level	• Estimated profit, decisions type „make-or-buy" (outsourcing) and cost control; • Decisions on ways to increase the performance of the unit.
VI. Cost analysis	• Decisions on cost reduction; • Decisions related products and customer management (maintenance, replacement, disposal); • Decisions on ways to increase business performance; • Evaluate the impact of measures taken / planned Manager on costs.

Source: Budugan, D., Georgescu, I., Berneci, I., Bețianu, L., Contabilitate de gestiune, Editura CECCAR, București, 2007

At the microeconomic level, the primary objective of the company is represented by minimizing costs and maximizing profits. As a result, periodically comparing actual costs with those set will allow analysis of deviations from the budget and corrective decisions. In this context, control costs becomes a key issue for the manager and other makers of a company.

Best cost to a company is not always the lowest, but the one who comes in the place and at the right time, can determine the choice of the optimal method of calculation.

4. Ways to reduce production costs

The managerial decisions based on cost of production were as information tracking dynamic evolution of costs, compared with modifications to livestock production activities. Given the continued need to reduce costs, the management company must carry out an assessment of practical opportunities to reduce costs and to choose a number of embodiments.

In order to reduce costs, managers of an organization must identify ways to reduce the cost of production, to operate simultaneously in all departments of the company, of all factors of production in all phases of business and implement reasonable measures to reduce the costs in accordance with requirements imposed by market competition.

We can thus say that the main factors determining the cost reduction actions are:

- ✓ *limited resources,* which entails a more rational and responsible use of their;
- ✓ *best possible exploitation of production factors* involving revenue growth in the sales price has not changed conditions;
- ✓ *increase the efficiency of the company* which entails an increase in profit.

The cost reduction activities, management of an enterprise has the following elements*:*

- ✓ reduced consumption of inputs per unit of output by an increase of their performance;
- ✓ reducerea costurilor în toate fazele procesului de fabricaţie, pornind de la etapa de cercetare – proiectare şi până la obţinerea produsului finit;
- ✓ objectives set, taking into account available resources, the conditions of production, in a context of economic;
- ✓ choosing the most efficient production process, both technically and environmentally and economically.

In terms of reducing the cost of material costs may be taken into account following directions*:*

- ✓ use of materials that are abundant and least cost;
- ✓ modernization of technologies for extraction purchase of equipment at a good price but corresponding to the technically but;
- ✓ revaluation consumption norms classification and tracking consumption in these rules;
- ✓ increase the rotation speed of working capital;
- ✓ make the most intensive production equipment to reduce the rate of depreciation incumbent final product unit.

In order to reduce labor costs is aimed mainly living labor productivity growth in the following ways:

- ✓ introducing technical progress in modernization of the existing equipment and increase their reliability;
- ✓ increase the level of training and retraining of staff and individualization duties, powers and responsibilities of each job and hand job in conjunction with individual responsibilities in implementing programs increased production;
- ✓ eliminate idle time executive staff by restructuring the organization and management of production processes operative tracking parameters work performed;
- ✓ stimulation employees through a system of awards under the conditions obtaining significant results;
- ✓ improving the quality of working conditions and social climate within the unit.

Desirable is that the growth rate of labor productivity growth to prevail in wages, thus demonstrating the ability of management to effectively use human resources and remuneration levels in the company.

Another target of reducing the cost of production is the general administration expenses can be reduced mainly by an increase in production volume, a reduction of the administrative, records, statistics and planning but also by a reduction in supplies office in strict compliance with the rules and regulations administrative expenses household.

Taking into account cost and other areas over which it can act to reduce the cost of production and the tools used can synthesize schematic effects that actually occur by applying these measures so:[10]

Table no. 2 **The effects of lower production costs**

Action area	***Instruments used***	***Effects***
Material resources used	• low consumption of raw materials, fuel, energy and water, etc; • use of unconventional resources or cheaper;	• changing the proportions of material and labor resources; • reducing overall costs and prices, • increase market share;
Labour productivity	• qualification and requalification of the workforce; • intensive use of machinery, tools, equipment, installations; • ensuring regularity in the supply of jobs with inputs;	• increase physical production per worker and per unit time; • reduce costs and thus increase profits; • increase in net profit;

	• increase labor organization and discipline;	
Production capacity	• expand production capacity; • increase the use of production capacity;	• increase physical production; • increasing total costs; • reducing unit costs and costs to 1000 lei turnover; • low cost sub-activity;
Production quality	• reorganizing and improving management of human resources quality materials, processes, organization and management of scientific research;	• increased costs of prevention and for identification of defects; • reduce costs of poor quality;
The introduction of technical progress	• improving ways to exploit the resources of the company;	• increase physical production; • low specific consumption; • increase profit;
Driving performance	• operative tracking of expenses places of activity and kinds of expenses by determining deviations of actual expenditure to predict and detect the causes that generated these deviations; • use of cost information in making decisions based on the detection of relevant costs, unavoidable, and opportunity costs and investment analysis.	• identifying the causes higher costs; • absolute and relative savings in the cost structure; • removing or keeping the manufacturing of products.

5. Conclusions

The cost of production is a key indicator in the decisions of the productive units in general, by the help it provides managers in ensuring profitability, competitiveness and stability of the company. Reducing the cost of production is of major importance for any manufacturer and should be made permanent and responsibility, as is the way to a profitable enterprise, competitive and stable. Reducing the cost of production should take place without negative influence on the overall activity of the enterprise, however, may experience some shortcomings such as:

✓ overwhelmingly affect a company's financial resources when it decides improve existing technologies or even the introduction of new technologies;

✓ loss of benefits arising from old technologies at their replacement with new ones;

✓ exclusive application cost reduction strategy that achieves its purpose only when the manufacturer has become the market leader in terms of cost and able to detect other companies to give up this kind of strategy through costs.

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