

MANAGEMENT ACCOUNTING ORGANIZATION IN WHOLE SALE TRADE - CHARACTERISTICS

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The characteristics of management accounting organization in wholesale trade enterprises are based on their unstandardized character, fact that gives enterprises the possibility to establish an independent management accounting system, conditioned by the following factors:

- *the specificity of the goods supply and selling activity;*
- *the organizational structure of wholesale trade enterprises;*
- *the concept of cost used in establishing the results and performances of responsibility centres;*
- *the system of economic and financial indicators of return analysis and control.*

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The characteristics of management accounting organization in wholesale trade enterprises are based on their unstandardized character, fact that gives enterprises the possibility to establish an independent management accounting system, in accordance with their own specificity and information needs.

In fact, in approaching the specific aspects of each enterprise, we should start from the fact that management accounting information “represents a component of the enterprise’s information system that helps realizing independently the operating analytical accounting, respectively of expenses and results from the point of view of value holders and organization’s subdivisions – responsibility centres, as well as the internal budget audit, with the purpose of supplying confidential information necessary for the substantiation of the patrimonial unit”³³⁸.

Taking into consideration all the aspects mentioned above, we can conclude that the organization of the management accounting is conditioned by:

- the specificity of the goods supply and selling activity;
- the organizational structure of wholesale trade enterprises;
- the concept of cost used in establishing the results and performances of responsibility centres;
- the system of economic and financial indicators of return analysis and control.

a). The specificity of merchandise supply and selling activity

In accordance to the classified list of economic activities, used in European Union countries wholesale trade enterprises are considered: “units wholly or mainly employed in reselling, in partnerships, goods to retailers or other wholesalers, producers or other users with a view to further processing, conditioning, packing, disassembling. Generally, the wholesaler’s role involves, on the one hand the storage of goods and, on the other hand, the deed of property or the right of disposing of the respective goods”³³⁹.

This definition covers, in general, the traditional role of wholesale trade, supply, storage and selling of goods by the different beneficiaries (not consumers). Yet, in practice the existence of wholesalers is justified by the services they offer to their customers and the assumed risks:

³³⁸ V. Pătruț, *The attempt of the management accounting conceptual delimitation*, „Finances, Credit, Accounting” Journal, no. 11,12/1999

³³⁹ NACE – The Classified List of Economic Activities in the European Community, endorsed by the Regulations of European Economic Community Council no. 3037/9th October 1990.

- the physical purchase of goods for anticipated storage in order to meet the clients' operative needs, fact that makes wholesalers more preferred than producers (by getting closer to beneficiaries, varied selection lines and efficiency);
- in order to cover the supply and storage costs, wholesalers charge a reasonable addition share, inferior to the expenses the beneficiaries would have if they supplied directly from the producers;
- the purchased stocks financing for which the wholesalers invest their funds as well as a high volume of loans (bank credits);
- clients' financing by selling on commercial credit;
- risk assumed from the moment of supply and storage of goods of keeping a certain unsold merchandise fund (the registration of damages, degradations which are not imputable to the staff, the change of selection lines demanded on the market etc.).

From all those mentioned above, one can see the complexity of the activity developed by these enterprises and we can notice at the same time that these units do not have production activities that would necessitate the collection and repartition of expenses with a view to determine the product cost what makes the management accounting object be centred on the determination of the commercial activity cost on responsibility centres, according the decisional factors' information needs regarding the obtained results and the determination of influence factors.

The main categories of expenses concerning the trade activity refer mainly to:

- storage and keeping expenses;
- salary expenses;
- goods selling expenses (packing, sorting, batching, retailing, loading etc.);
- expenses concerning auxiliary activities (transportation, transport facilities maintenance and repair shops, loading machinery and internal transport maintenance and repair shops, general repair an maintenance shops);
- general administrative expenses (managerial activity, financial accounting activity, information processing, security, firemen etc.).

b). The organizational structure of wholesale trade enterprises

The organizational structure of a wholesale trade enterprise contains, just like any other profit-generating patrimonial unit, an operating (production or operational) structure and a managerial (functional) structure.

The operating structure of wholesale trade enterprises refers to the activities developed in operational subdivisions, organized as managements, specialized in the supply and selling of certain groups of products. Managements themselves are classified according to certain technical-economic criteria, in organizational structures, called storehouses. Within the operating structure, there can also be included the auxiliary activities whose object is the execution of works or providing services in order to normally develop the main operating activities (the supply and selling of goods) and the general administrative activities, such as:

- the transport activity using their own transport facilities;
- yard track transport activity;
- the mechanization activity of loading-unloading, stowage works (cranes, motolifts, gantries, truck scales etc.);
- car and machinery maintenance and repair shop;
- the maintenance and repair activities of machinery under operating standards checking (scales, truck scales, gantries);
- general repair and maintenance shop;
- power station, if need be.

The *functional structure* refers to those activity compartments where the general functions of a lucrative enterprise take place, respectively: the management, commercial, financial-accounting, finance, marketing, administrative function, etc.

Both the activities developing within the operational (operating) structures, and the functional ones are generating expenses that all constitute the whole cost of the commercial activity. In order to locate and follow the reduction of expenses caused by operational-functional links, **we suggest that they should be organized in responsibility (analysis) centres that, according to the direct contribution to the turnover and profit, can be divided in profit centres where turnovers and financial results are realized and cost centres when incomes cannot be associated to the expenses caused by these structures.**

The grouping of activities on responsibility centres, divided in profit centres and costs centres for a wholesale trade enterprise, is as follows:

- profit centre:
 - **managements** – specialized in the trade of some groups of goods with the same characteristics of consumption destination, grouped in organizational structures at a storehouse level;
 - **transport activity** – developing both transportation for the main activity (supply of goods) and tariff transportation to third parties.
- costs centres:
 - on the structure of auxiliary activities:
 - ◆ maintenance and repair shop for transport facilities and machineries;
 - ◆ general repair and maintenance shop;
 - ◆ handling devices mechanization shop (loading, unloading, stowage, etc.);
 - ◆ power station.
 - on the structure of general administration activities
 - ◆ management activity (commercial, financial-accounting);
 - ◆ information processing activity within a computing office;
 - ◆ administrative activity (cleaning, security, firemen, telephone exchange).

In a wholesale trade enterprise the organization of income and costs accounting on responsibility centres, is strongly influenced by the specificity of the activity object, that is *supply-selling* of goods that requires the main activity to be represented by the administrative structures of the merchandise fund, that is *storehouses* and, within them, the *managements of goods*. Within these organizational links the process of supply, storage and selling of goods takes place.

The *managements of goods* are *profit centres* as the expenses caused within them are associated the incomes obtained from the selling of goods, so that a result account can be drawn up for each centre.

Profit centres, *managements of goods*, respectively, represent the object of *cost calculation* characteristic for the commercial activity and the establishing of afferent results. In the management accounting, the collection of expenses and the cost calculation are realized by means of a synthetic account developed on analytic accounts corresponding to each profit centre.

In order to ensure the appropriate conditions for the *supply-selling* functions by the operational structures (management of goods) within the enterprise, there are organized a series of auxiliary activities that perform works or provide services for them, but sometimes for third parties, as well. It's the *transport* sector that performs both carryings out for the main activity and transportations for *clients'* interest, as well as *the mechanization activity of supply and selling works* (AMLAD), which sporadically provide services for third parties.

Due to the random and insignificant character of the carrying-outs accomplished within the *auxiliary activities* by third parties, we consider that it is not necessary to organize a calculation concerning the determination of these carrying-outs effective costs. In order to avoid the repartition of the cost afferent to the carrying-outs supplied to third parties on the main activities, we shall separate them by a method of indirect estimation, according to the planned return margin which is part of the used tariffs. Thus

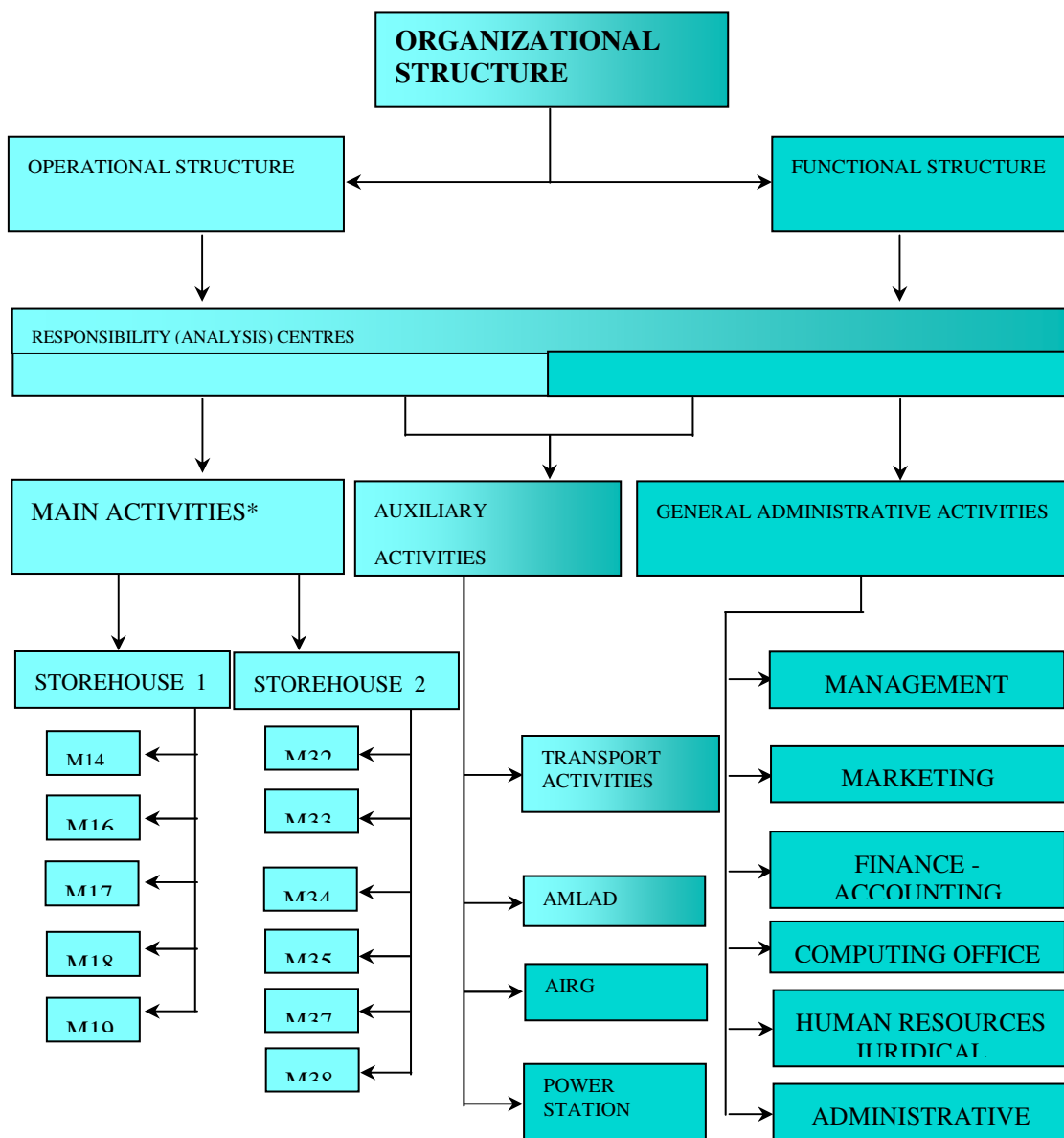
determined, the costs of the carrying-outs tariffed by the auxiliary activities of the different third parties will be charged to the incomes collected for the respective activities.

Taking into consideration that the incomes from the auxiliary sectors are insignificant, these expenditure zones appear as *cost centres*. The role of management accounting, as far these structures are concerned, is that of establishing the deviations of real costs from budget costs. The auxiliary activities costs, collected by means of a specific account deducted on appropriate analytic accounts, are settled on profit centres and cost centres.

In order to collect the indirect expenses that are to be found in profit centre costs only after the realization of some repartition and charge calculations (such as the expenses at storehouse level), there are used specific accounts analytically developed on responsibility centres and on expenses elements.

At the level of the enterprise functional structure, within the management accounting there are constituted distinct expenses areas that act as cost centres, grouped on the compartments accomplishing the general functions of the enterprise (management, financial, administrative, etc.).

The organization on responsibility centres of wholesale trade enterprise activities is presented in the following figure:



Structure model on responsibility centres of wholesale trade enterprise activities

c). The concept of cost used in establishing results

The management accounting collects expenses from the financial accounting so that it would be possible to determine both the commercial activity cost and the total commercial cost on profit centres, in the following structure:

- merchandise purchase cost;
- direct expenses;
- indirect expenses;
- bank interest expenses ^x

Circulation expenses

TOTAL COMMERCIAL ACTIVITY COST

- general administrative expenses ^{xx}
 - selling expenses ^{xx}
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TOTAL OR COMMERCIAL COST

The simultaneous presentation of the result, calculated according to the commercial activity cost and the total or commercial cost, in the conditions of a determined selling price, is as follows:

900			270*			1170
Commercial activity cost			Profit*			Delivery price
600	100	200	150	50	70	1170
Merchandise purchase cost	Direct expenses	Indirect expenses	General administrative expenses	Selling expenses	Profit	Selling price
TOTAL OR COMMERCIAL COST					PROFIT**	DELIVERY COST
1100					70**	1170

Note:

* The profit is determined according to the realized income expressed in delivery prices, and the expenses were collected at a commercial activity cost level.

The general administrative and selling expenses are considered costs of the period and influence the result on total operating activity and not on profit centres.

** In the second variant, the profit is determined according to the total of commercial cost (which includes the general administrative and selling expenses rate distributed to each profit centre) and the income expressed in delivery prices.

^x As a trade characteristic, we consider relevant the inclusion of expenses with the interest afferent to the financing of circulating assets (stocks) within the activity cost. ^{xx} Taking into account that the determination of results on profit centres is made according to the commercial activity cost, the general administrative expenses and the selling expenses are considered expenses of the period.

d). The system of the return analysis indicators

Among the indicators used for the return determination and analysis in the wholesale trade, we can enumerate the following:

- gross margin (trade mark-up);
- commercial activity cost on profit centres;
- commercial activity cost on cost centre;
- total commercial cost on profit centres;
- the result on profit centres;
- rate of return afferent to the consumed resources.

In the process of expenses collection and repartition on profit centres, such as they have been proposed in our paper, one has to take into account the obtaining of these indicators necessary for the setting and control of the respective profit centres return.

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