POSSIBILITIES OF USAGE THE COST INFORMATION BY THE MANAGEMENT

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The cost information should be considered tools for the creation of value at a lower cost. Also, this approach shows the ability of costs informational system to provide relevant information that serves several purposes, namely: their usage in financial accounting (cost of acquisition, cost of production or of stock processing, full cost, outlet cost and period cost); the usage in making decisions (opportunity cost, relevant cost, irreversible cost); estimating (measurement) and performance management (hidden costs, controllable costs, externalized costs).

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1.Information provided by the cost information system

Making decisions is a difficult task, the costs representing a decisional basic factor. In the opinion of R.S. Kaplan and A.A. Atkinson teachers, the cost information is important for managers of at least three reasons: regarding the cost we decide the purchase, manufacture or abandonment of a product and the nature of the relationships with customers it is affected; the costs can provide a basis for substantiation of prices; by cost analysis we identify the needs of improving the products, the design or the production process.

Information provided by the informational costs system	***Possible usages of the information by the management***
The unit cost of a product, work or service	Decisions concerning the fixing of the sales price, production planning and costs control; Decisions on purchasing, manufacturing or abandonment of a product; Decisions related to the products portfolio management(the substitution, the redesign and products removal); The estimation and management performance.
The cost of a section operation, of a department, of a factory etc.	Decisions regarding the organizational structure, improving the production process and the activities control.
Wage costs regarding for a lot of products or of a period	Planning production, wage policy.
The volume of rejects and technological waste	Production planning, the control of the material costs.
The costs behavior depending on the activity level	Estimating the profit, decision of Make-or-buy type (outsourcing) and cost control; Decisions regarding the ways to increase the company's performance.

Making decisions is a difficult task; the costs are a basic factor of the decision. For this are calculated and used several categories of costs. Therefore, to reach a decision, there are always important four types of information on costs, namely:

What costs are influenced by the decision to be taken?

In the moment of making decisions, should be considered only costs that change depending on the chosen solution, on its time interval. Not all costs are the basis of making decisions, but only the relevant ones. A cost is relevant if issued on fitting time and its satisfactory precision. So, the relevant cost, called and the forecast cost is the additional cost trained by the making the decision. A cost that is represented in an alternative but is missing from the other alternatives is a differential cost. The differential method is essential in the making the decision and can be used both for decision making on a short term and long term. The costs that can be avoided and affected are relevant to the decision. An avoidable cost that is the one that can be entirely or partly removed as a result of a choice of several alternatives, in developing the decision

There are, however, and unavoidable costs, also indifferent costs, or non-relevant ones, which do not differ from one alternative to another. They are past historical costs, about which no longer can act on the basis of the future decisions.In special literature there were and also are concerns to the use of an appropriate terminology in the field of relevant costs.

From this point of view, there can be distinguished the following costs categories:

- reversible cost and irreversible cost. A cost is irreversible when we can not reverse upon the decision of the employment, whatever solution is adopted, otherwise it will be, therefore, reversible. Thus, the decision to install a machine is irreversible, while the decision to work overtime is reversible;

- controlled cost and given cost. A cost is controllable when the governor has total power over all appearance of this cost (e.g., hiring an employee). The administrated cost appears when it is imposed to the decider outside the company (e.g., social costs, fiscal costs and taxes, royalties). The controllable cost increases shares, primarily due to salary expenses;

- determined and discretionary costs. A cost is determined when there is a clear relationship between it and the produced effect (e.g., the consumption of primary materials which is based on the obtained production). A cost is discretionary when the relationship with the outcome is more "discreet", so it will be hard to find a correlation between the administrative tasks and the use of office supplies. Unlike the determined costs, also called *mandatory costs* (due to contractual obligations, company policies, etc.), the discretionary costs may be easily changed (advertisings, the sponsorship volume);

- visible costs and hidden costs. A hidden cost is already generated (being a passed cost) and it can not be avoided, regardless the action that the manager decides to carry out. A cost is visible when the governor might know the actual expenses that were included in it;

- internal and external costs. External costs (outsourced) are costs that are transferred to third parties - for example: environmental costs with social character, they are not covered (fully) by the economical pollutant operator.

Opposing to this are the internal costs, consisting of expenses related to production activity of the company.

From this brief overview of costs, it results that the governor's decision is limited to all internal controlled costs. It will manifest itself strongly on visible, reversible and determined costs. On the contrary, the governor only influences very little the administrated and outsourced costs. The power of the governor on costs is therefore limited. The figure below attempts to summarize the inherent costs in any entity, taken or not into account by the analytical accounts.

Note that although the irreversible costs should not be taken into account when the decision making because you can not return on them, it can not be underestimate upon the importance of the opportunity cost, or in other words, what can be achieved in the future (if the products can not be resold, their opportunity cost is zero).

2. Manager and costs

The cost of opportunity or **of choice** represents the appreciation which an economic entity offers to the changes that are given up when making the choice. It is the loss resulting from the waivers involved in any option. The mangers try, ever more, to integrate the opportunity costs into the economical analysis of management problems; it is mainly social *opportunity costs*, such as the appearance of a conflict or social climate degradation as sources of loss. The opportunity cost is analyzed, more than a likely waste of resources, rather than a proper cost.

By identifying the avoidable cost (differential) of a specific taken decision, the manager deals with analysis costs, through the following steps:

- total costs associated with each considered alternative;
- the disposal attached costs;
- eliminating the costs that do not differ between alternatives;
- the development of the decision on the remaining costs.

These are avoidable or differential costs. We point out that understanding the behavior of costs, *the marginal contribution* (equal size to the difference between the turnover and the marginal cost) and of marginal calculation principles, generally are a challenge for any manager who wants a relevant decision. The marginal cost arose from the need to explain the reaction cost changes with the physical production and prices volume it is also known as *"additional cost"* or *"differential cost"*. Especially in a competitive environment *for decision making it is considered a relevant marginal cost.*

What it is waived if a solution is chosen instead of another (to decide means to waive)?

Making decisions involves choosing a solution to the detriment of another. The professor Henri Bouquin says that "every decision is a sacrifice and sacrifice is any opportunity cost. The opportunity cost is thus the sacrifice in terms that you bear an economic issue which proceed to a choice from several possible actions".

How will behave the costs that rise options considered after making the decision? What is the logic, what laws will they follow?

To choose a solution, the costs behavior must be tested in each case. Knowing the behavior of costs in the theoretical and practical complexity is a basic tool to reach managers and it is used to increase its economic performance.

The term "behavior of the cost" relates to the extent the costs of an economic entity responding to a change in the activities taking place in that entity. An understanding of the behavior of cost structures and ability to provide the cost in a given situation is essential for planning, decision making and control of activities and requires an understanding of relationships entries - exits, among the resources used and results obtained. It can be said that an increase in physical volume of production causes an increase in the total cost. In a contraction, the volume of production to a certain extent, the costs decrease to a lesser extent than that in which they grew up when the volume of production has increased in that proportion. It is very important, the classification of costs in the fixed and variable.The variable costs allow the calculation of *a margin over variable cost* for each product by deducting the variable cost of turnover of the company. The size margin on the cost variable is a valuable information that a manager can use to support the decision to offer different products or not, and to increase sales to the cost and suppress them (quit) the unprofitable ones (for which the margin of the variable cost is negative).

How to intervene on costs?

The ability to operate on a cost means to influence the causes of releasing the process (activities) they consume in the organization, the needs which the organization and capacity costs that it has.

We couldn't be able to act on future costs decided in the past (on the irreversible ones). The increasing of volume costs reduces the irreversible field of action of the governor. For this, costs must be identified before they exist, from the moment of decision that will be released. Thus, it was observed that in certain productive sectors, *the moment they can be operated on costs is the conception of the product*. Once operated, the production process, *the costs will be incurred* (costs determined by a prior decision), without being able to operate on them. These costs can be affected only by major changes in firms' policies.Therefore, all these considerations have led to the application of methods of calculation of costs such as Target Costing and Kaizen Costing. The information of a type cost should be considered tools for the creation of value at a lower cost. Also, this approach shows the ability of information system costs to provide relevant information that serves for several purposes, namely:

- *their use in financial accountancy* (cost of acquisition, cost of production or processing of stock, full cost, outlet cost and cost of the period of time);
- *the usage in making decisions* (opportunity cost, relevant cost, cost irreversible);
- *the assessment* (measurement) and performance management (hidden costs, controllable costs, externalized costs).

Most of these costs affect the quality of sold products, the company's image and therefore its performance. As a result, they are particularly important for managers in making decisions.

3. The Costs Relevancy

One of the main objectives of the accountancy management is the calculation of costs. However, some authors, especially those from the Anglo-Saxon area, see *the* cost accounting as part of managerial accounting (logical, since the cost interests primarily the company's management). In this optic, the cost accountancy is built into an interface between the financial accountancy and management accountancy. At micro level, the firm's primary objective is to minimize costs and maximize profits. Therefore, periodic comparison of actual costs with the provided ones will allow deviations from the budget and make corrective decisions. In this context, to control costs becomes a primarily problem for manager and other responsible factors n a company. Management accountancy as a tool of a management control constitutes in an information system. The processing results of such a system, to be effective, must correspond to the objectives and needs expressed by its users. Therefore, the information system will provide cost-makers "best cost", the most appropriate management problems to be solved. The best price for a company is not necessarily the lowest, but that which occurs in the place and time and provides the user the desired accuracy. In this subjective situation, we may speak of *the relevance of costs*, which vary from one company to another; the method can determine the optimal choice of the calculation. Relevant costs relate to future costs on which to action and can be used in making decisions. In the foreign special literature, the relevance of costs is analyzed taking into account the *four criteria of assessment*, namely: the wage and prices development; the business activity level; the operation efficiency; the identification of responsibilities.

The concept of "relevance" differs from the cost "accuracy". The accuracy refers to the validity of arithmetic calculations that allowed the determination of costs. The "accuracy" is, however, a cost. The degree of accuracy of calculations can sometimes be obtained only with the "price" of prohibitive access costs to information in relation to the profit brought by the accuracy of calculations. In this context, it is better to determine a cost in the proper time than a strict exact cost, but late one. The continuing globalization of markets and rapid technological changes in production has created a fierce competition worldwide. To achieve any competitive advantage, operational entities in a society must adopt strategies that integrate environmental and market opportunities, and technology advantages in the most efficient way. In conditions of globalization, the management control, as an informational system, and the accounting management information system that specifically may be the most concerned regarding the adaptation to new requirements involved in this process, especially that are subdued to permanent changes to keep updated to technological and organizational changes that have occurred in recent years. The gap that is currently in development of management accounting and production systems need to explain a model of management accounting more relevant. **The informational system accounting management tends**, meantime, **to become** “an informational system of the enterprise’s performances.” In the enterprise management, the performance measures "the success" (result) obtained through qualitative indicators and the quantitative ones. The performance is contributing to the overall outcome. Considering that the performances level is the result of the management decisions, the manager of the company needs a COST-VOLUME-PROFIT system of assessment. This system should allow the understanding of the past and the present, but also to combine the present into the future. The users of the information provided by management accounting require more and more from this system. The flexibility and adaptability of the information specific system it seems that became the factor has of the most important quality in its development. In contrast to traditional systems, tending to a mass production (with uniform and standardized products), and with a specialized personnel, there are now new systems from Japanese management principles, founded mainly on the concepts of adaptability and flexibility.

The information provided by management accountancy is the one that provides the feedback of economic processes, offering support and self-control. In the current conditions, the financial accountancy provides only passed information period (or passed periods), while management accountancy can provide both the current period and the future period.

A real revolution was in the calculation of costs, especially due to the common concerns of specialists in accounting and calculation costs domain with the marketing costs and not only with them. The explosion of advanced technology resulted, in our case, in the advanced production technology (Advanced Manufacturing Technology - AMT) revolutionizing the way products are made, in particular, to those who are called " world producers " (WCM - World-Class Manufacturers). For those with a rich experience in the market economy, the concept of advanced manufacturing technology (AMT), which includes automated production technology, production design and computer-aided (CAD - Computer-Aided Design, CAM - Computer Aided Manufacture) systems flexible manufacturing (FMS - Flexible Manufacturing Systems), robotics, control over quality (TQC - Total Quality Control), total quality management (Total Quality Management), and new elements of production management systems that include computerized planning requirements supply (MRP - Materials Requirement Planning), Just-In-Time (JIT = just in time) and others, are concepts which belong to the whole company, from the employee to top manager, meaning success or failure of the market, and its future existence or the bankruptcy.

4. Conclusions

All concepts are listed, however, directly related to the field and calculation costs. The arguments made by a large number of consultants, academics, industrialists and others shows that the traditional calculation of costs and measuring results are inadequate and unprofitable for companies using the AMT. Fundamentals for AMT concepts are outlined; one can examine the claimed deficiencies of traditional approaches to the methods of calculation of costs, when applied to companies that use the AMT. These deficiencies are so great that some experts said that a large part of the traditional methods of cost calculation is based on incorrect principles and realize losses of information, especially when applied in an AMT environment.

The main issues raised in this case are the following:

- Costs absorption: traditional methods of calculation of costs of production processes use for the allocation of indirect costs based on absorption coefficients dependent on the volume of production (hours or direct labor hours per car). These processes are considered unsuitable in a AMT environment;

- Cost behavior: managerial accounting "traditional" grade fixed and variable costs, depending on their dependence from the production volume. In an AMT environment, a large part of indirect costs are dependent on a number of factors, others than production volume. Traditionally, many changes in the long term costs have been widely ignored. In the AMT environment, wage costs are decreasing in proportion to total costs, and the treatment approach and indirect costs become more important;

- Standard costs: standard costs method and deviations analysis of costs is widely used in traditional control techniques, but their use in the AMT and JIT environment is questioned. The hesitation is determined as a general philosophy and approach detailed standard cost method. The idea of performance is, in this case, dependent on the achievement of pre-settled standards, so contrary to the philosophy of continuous improvement from AMT.

- Financial measures in the short term: many of the information provided by traditional management accountancy provide data for financial evaluating performances in the short term (costs, efficiency, etc.). All these are obtained, however, at the end of the management period and are little used. In contrast, the AMT focuses on what is available quickly, the objective being the improvement effect of investments, which is achieved by increasing revenues (through quality, delivery, etc.), reducing costs and investment demand.

- Methods of costs calculation: the traditional cost accounting uses sequential tracking of staple materials in various stages of manufacture, through the running production (WIP - Work-In-Progress) until the stage of the finished product. Using the JIT system becomes unnecessary, costly and non-informative, as factory production flow is still ongoing with stocks near zero and very few commands. Also, the JIT focuses first on the output and then on the previous operations.

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