THE STANDARD-COST METHOD IN THE VARIANT STANDARD-UNIQUE COST, DIRECTION OF IMPROVEMENT OF THE BOOKKEEPING AND OF THE COST CALCULATION IN THE BREAD MANUFACTURE

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The standard-cost method makes part of the category of methods of previsional calculation and of efficient follow-up of the production process which allows the establishment of the production costs with anticipation regarding the beginning of the production process and the achievement of the budgetary control of the costs through the determination of the divergence between the real and pre-set costs taking into account the divergences and their causes in the same time with the development of the production process.
The standard-cost method is a modern and efficient method for the bread manufacture. This method offers undeniable advantages in what concerns the operative study and analysis of the production efficiency, being thus able to accomplish an important function in the leadership of the modern enterprise: it is an investigation and previsional instrument and it represents a precious means when you have to make a decision.
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According to the concept of this method, the production costs must be calculated with anticipation and one must use pre-set measures. In the same time with the development of the production process, the operative follow-up of expenses is organized as through a comparison with standard costs in order to establish the divergences regarding the expenses and their causes so that the budgetary control of the cost should be accomplished.
In the original conception of the standard-cost method, one doesn't need to calculate the effective cost because the standard cost is considered both scientific and real cost. This is the reason why any divergence of the efficient costs from the standard ones is considered as a divergence from the normality and must be put on the account of financial results.
However, one may calculate the actual cost of the production obtained. This is made through the addition or, according to the case, the diminution from the standard cost of the deviations taken from the bookkeeping which will be followed not only by taking into consideration the types of expenses and their causes, but also the products. The way of calculation is the following:

$$Cu_e = \frac{Ct_s \pm A}{Q} \qquad \textit{RELATION 3}$$

in which:
Cu_e - represents the unitary actual cost

Ct_s - total standard cost;

A - deviations;

Q – quantity of production obtained

The essence of the method Standard cost consists of establishing with anticipation the direct costs of production (materials, conversion costs, etc.) which are named „standards" and the indirect costs (common costs of the sections, general costs of the enterprise and marketplace expenses) which are named cost budget. In this way, the standard costs become costs established in advance on a scientific base according to the conditions imposed by the production processes.

The typical structure of a total cost of production (absorbing) calculated after the method of standard costs usually has three main articles of the calculation:

-materials

-conversion costs

-overheads

The differencies between the actual and standard expenses at the three articles of calculation are considered deviations from the natural conditions of manufacturing. The application of the method consists of:

1. the calculation of the standard costs for every product;

2. the organization of the system of calculation and evidence of deviations from the standard costs;

3. the follow-up of the production costs according to the requirements of the standard cost method

DEVIATIONS FROM THE STANDARD COSTS FOR THE MATERIALS

There are two ways of deviations: deviations of **quantity** or derived from consumption and deviations derived from the **difference of prices.**

The deviations from standard consumptions for raw materials and materials are determined on the following basis:

1) on the basis of the document issuance, with the relation

$A_{CM} = \Delta_{CM} \times P_S$ where:

A_{CM} = the value of the deviations derived from consumption;

Δ_{CM} = quantitative deviation;

P_S = price of standard supply

2) on the basis of the way of debitting the quantity of necessary materials before being consumed

$A_{CM} = (C_E - C_S) \times P_S \times Q$ where:

Q = quantity of manufactured products;

C_S = quantitative standard consumption for every product;

C_E = actual quantitative consumption for every product

3) on the basis of daily inventory of the materials which were not consumed at the manufacture place from the sections and the establishment of the actual consumption which will be compared with the standard consumption

The deviations derived from **the difference of prices** at the materials can be calculated in two ways:

1) according to the supplied materials:

$A_{PM} = (P_E - P_S) \times C_J$ where:

A_{PM} = deviation from the difference in price of the materials;

P_E = actual unitary price;

P_S = standard unitary price;

C_J = quantity of materials supplied.

2) according to the consumed materials:

$\Delta_{PM} = (P_E - P_S) \times C_E \times Q$

DEVIATIONS FROM THE STANDARD COSTS FOR THE CONVERSION COSTS

1) deviations from the way in which the productive hours (of time) are used:

$A_T = (t_E - t_S) \times T_{SS} \times Q$

2) deviations from the standard wage rate:

$A_T = (T_{SE} - T_{SS}) \times t_E \times Q$ where:

A_T = deviation from work efficiency;

t_E = actual time;

t_S = standard time;

T_{SS} = standard wage rate;

Q = quantity of manufactured products;

T_{SE} = actual standard rate

DEVIATIONS FROM STANDARD OVERHEADS

1) deviations from the budget of expenses;

2) deviations from the production ability;

3) output deviations

The first things which have to be done in order to apply the standard-cost method consist of working out the standard calculations for every product, the follow up, the analysis and the report of deviations of actual from standard costs in order to make budgetary control, the bookkeeping organization according to the conditions of application of the standard-cost method.

In order to work out the standard calculations for every product, the following things are necessary: *to work out standards for direct expenses* which supposes to work out quantitative standards for materials and conversion costs and to work out value standards regarding the supply prices and standard wage rates*; to work out standards for indirect expenses or overheads* which involves the achievement of the following things: making the budget for indirect expenses od production, on one hand and, on the other hand, making the budget of general expenses of company management; *to work out calculations regarding standard unitary cost for each product* which involves making the budget of unitary cost in the structure of the calculation articles which are specific to the enterprise.

To work out standards regarding production costs imposes the establishment of assortments and of the volume of standard production which may determine the best use of the production capacity from the bread manufacture.

The calculation, follow up, analysis and report of deviation of actual costs from standard ones is made in an operative way (daily, weekly, once at ten days, etc.) taking into consideration the expenses, the articles of calculation and the causes (if it is necessary, one can take into consideration even the product or their component parts) in order to make the budgetary control of the costs and to make decisions regarding the management of the value side of the production process.

One has to make reports or situations regarding the deviations from the mentioned structure and when all the data is centralized one may get the report or the situation of the deviations from the enterprise.

The application of standard-cost method has advantages such as rationalization of calculation work because the unitary standard cost determined with anticipation is counted as a real cost and one doesn't have to calculate anymore the actual cost of the end production and of the production on the stock at the end of each management time. The deviations are considered as deviations from the normal and they are put on the account of the financial results of the enterprise. The end production and the production on the stock may be discounted at the standard cost. This

characteristic does not eliminate the possibility of calculation the actual unitary costs at some periods of time through the allocation of deviations to the end production or to the production on the stock according to certain conventional criteria such as the standard costs of the production.
Another advantage of the standard-cost method is that although it has at its basis the concept of total costs using the classification of production expenses in direct and indirect ones, it also uses the classification of production expenses in fluctuant and fixed which allows the analysis of costs taking into consideration the production volume and the calculation of certain indicators specific to the direct-costing method such as the balance point, the point of optimal activity, the covering factor, the coefficient and the safety interval, all these being necessary in order to make a decision on scientific basis.
Through this method one can make the operative control of the way in which material and human resources are consumed through a distinct, permanent and complete follow up of deviations while the activity is done and not at the end of it as in the classical methods. The deviations are identified both in the operative evidence and in the bookkeeping from the moment of its appearance and until the moment when they are distributed upon the financial results.
The main characteristics of the standard-cost method consists of the existence of an adequate frame for operative comparaisons between actual and pre-established costs which are taken as reference. The application of the standard-cost method, in the variant standard-unique cost, leads to the growth of the practical value of the bookkeeping information and, implicitly, to the improvement of the economical activity.
In conclusion, we consider that the adoption and the introduction of the standard-cost method in the enterprises from the industry of bread manufacture, in the variant standard – unique cost, answers the necessity of growing the degree of information utility regarding internal activity and is integrated in the modern conception of leadership based on objectives, continuous improvement of costs usability in the production orientation and in the reinforcement of the economical management.

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