

**NATIONAL MINISTRY OF EDUCATION  
UNIVERSITY „1<sup>ST</sup> OF DECEMBER 1918” FROM ALBA IULIA  
ACCOUNTING DOCTORAL SCHOOL**

**DOCTORAL THESIS  
SUMMARY**

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**Alba Iulia  
2020**

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**RELEVANT COSTS FOR MANAGEMENT  
DECISIONS IN THE AUTOMOTIVE COMPONENTS  
INDUSTRY**

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*Keywords: managerial accounting, costs, expenses, cost calculation methods, modern calculation methods, Activity Based Costing (ABC) calculation method, transfer price, auto industry, calculation, management team, decision, accounting information.*

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# INTRODUCTION

## General context of research

The current economic life, in a continuous transformation and organization, followed by unanticipated evolutions, produces increasingly varied informational needs. This alert pace imposed by the economy makes business entities, in order to survive global challenges, to organize their strategic management accounting for close-organized and led by the management team because then they can successfully face the challenges of the economic context in the sector to which they belong.

The essential condition that a commercial entity must fulfill in order to survive on the market is its permanent adaptability to the environment in which it operates. Therefore, the existence of a trading company is required to be correlated, from an economic and financial point of view, with the manner and the framework where it operates and develops. In this environment the trading company collects its liquidity and in this climate it also fulfills its obligations to third parties and to the fiscal body.

Romania, as a member state of the European Union, in order to maintain its place among the economically performing states, must approach the role of consultant for the entities located in its territory. The solutions that our country should juggle on the economic market can be set up in certain levers that are facing economic growth, but at the same time, it must support the European financial market.

In this context, the present paper, „Relevant costs for managerial decisions in the automotive components industry”, aims to highlight the close connection that costs, only the relevant ones, can influence and support the path to success of an economic entity, through the information given by them, which can significantly influence managerial decisions.

Replacing outdated costing methods with those that meet the requirements of a modern system, which relates to stable principles and adapted to current market requirements, can satisfactorily influence the decision-making process of the management team.

The continuous process of collecting and processing the economic information, in general, and the accounting information, in particular, has the role to significantly influence the activity of strategic decision making by the management team, a process that conditions the optimization of the activity of the economic entity.

The importance of managerial accounting is emphasized by the challenge to be met by the economic entities, that of elaborating, substantiating the optimal decisions and

knowing how to select new initiatives to reorient their own activity. At the same time, the managerial accounting favors the entrepreneurial compartment, helping the manager to answer two key questions: what is the optimal way to achieve the objectives established with the help of the distributed resources, respectively how were these resources allocated?

Cost analysis and study provides the opportunity to identify ways to improve managerial accounting and cost calculation, so that the proposed system optimally responds to information requirements and supports the decision-making process.

Managerial accounting plays an essential role in the elaboration of decisions, because it provides managers only those information that have a direct impact on the strategies of the commercial entities.

To a large extent, the specialized bibliography offers ideas that underline the relevance of the information that the costs provide to the management team for the economic entity to pursue its primary purpose, that is, performance. This type of studies outlines the idea that the recipe for success is the modern method of calculation chosen, which can extract the essential from the huge flow of accounting information and later, that essence will be available to the management team. Of course, decisions should not be made solely on the basis of information provided by managerial accounting, but there is also another way based on the compilation of information obtained from areas related to accounting and annual financial statements.

Taking as a starting point the issues highlighted above, we are entitled to say that the team management decisions can be taken, given the different tracks, tracks that can be rigid or imposed by law. The efficiency of the management team is given precisely by the alternative path that underlies the issuing of decisions, used in parallel with the legal requirements of the state where the commercial entity has its headquarters.

Assuming that the goal of managerial accounting is to make the economic entity performant, to impose a special attention on the way in which this economic-financial indicator is measured. According to International Financial Reporting Standards (IFRS), the performance indicator should not be calculated according to a standard formula, but should be determined by calculating and appreciating other indicators, calculated on the basis of annual financial statements, and any modification of them will result in the adaptive change of the respective entity.

Delivering all of these tracks follow make this research a solid argument for its use for commercial entities which have not yet implemented management accounting but want to take the example of the best practices obtained from the use of calculation methods,

tailored to its needs. Thus, the motivation that was the basis of this research approach is clearly outlined.

### **The objectives of scientific research**

This paper aims to determine the influence that management accounting has within an economic entity, being considered the reference base in the decision-making process by the management team. In addition, the composition of the costs plays a defining role in the decisions of the management team, highlighting those costs that have a fundamental impact on the management decisions. The solution for improving management accounting and determining those significant costs is the ABC calculation method. The correctness of the decisions taken by the management team based on cost information is reflected in the transfer pricing file, which is made available to the tax authority as a supporting document.

In order to achieve the general objective chosen, the present paper intends to achieve the following operational objectives:

- ✓ outlining the current state of knowledge on managerial accounting, cost calculation and decision management;
- ✓ analysis of the impact of certain key concepts such as costs, on the decisional management used in the management of a commercial entity;
- ✓ treating through a comparative perspective the application of the cost calculation method currently used by the analyzed commercial entity in the automotive components industry and the application of the modern ABC calculation method;
- ✓ identifying the way in which the analyzed company presents the information regarding the transactions carried out with the affiliated parties documented in the transfer price file, as well as its purpose and necessity for the analyzed commercial entity;
- ✓ presenting the influence of cost information in substantiating the transfer pricing file, demonstrating that decisions were transparently made on the basis of costs, using the appropriate costing method;

We aim to pursue these objectives throughout the paper, helping us to achieve the fundamental goal.

### **Importance of the research**

The important role that management accounting and cost calculation play in the decision-making process outlines the objectives of the research theme, objectives which, in



order to be achieved, involve the analysis of the theoretical issues existing, both in the national and international literature, regarding the organization of management accounting and the calculation of costs.

In this approach, the main goal is the translation of information provided by the financial statement, using the tools of managerial accounting, namely the calculation methods.

The relevance of the analysis of the aspects regarding the purpose that was the basis of the implementation of managerial accounting, can be identified as early as the first part of the paper. If the two chapters that open the work have, rather, an informative character, within the reach of the accountant, the other three reveal their pragmatic dimension, in the sense that they bring to the fore the actual methods of calculating the costs, which influence the decision of the management team. It is also worth mentioning that the practical part is nothing more than a real exposition of the information found in the specialized literature, strictly referring to the area chosen for research.

Moreover, the present research can be used as a practical example, meant to help raise awareness, using the comparison term for a certain company, of the calculation methods already used. At the same time, this example aims to improve the information intended to influence a decision, by choosing a modern method of calculating costs that aims to provide additional information to the existing method. This additional information, certainly, is found in the quality of the decisions taken.

In the same order of ideas, the relevance of the purpose that the management team wants in order to choose a method that must constantly be up-to-date and be able to offer maximum benefits with minimum effort must be taken into consideration. For this reason, the importance of the scientific approach is outlined with the help of the terms from the economic field approached, aiming to reach its purpose, namely to provide help in decision making by the management team.

## **Research methodology**

The purpose of the methodology is to facilitate research based in a particular field. Scientific research could be defined as a process of broadening knowledge through careful and objective observation, investigation and experimentation activities, in order to discover or interpret new observations.

The research must be approached from several perspectives: the philosophical approach, which classifies it into empirical and theoretical research, and, from a functional point of view, the basic (pure) and applied research are distinguished. From an epistemological approach, the work can be assimilated into a research that is at the interference between positivism and constructivism.

The research activity carried out in order to elaborate the work "The relevant costs for the managers' predictive decisions" included the two elements of the research, both the descriptive and the empirical ones, thus pursuing the achievement of the proposed objectives.

In order to explain and reproduce certain mechanisms, to discuss different concepts and, last but not least, to propose viable solutions, the paper also follows an explanatory and descriptive approach.

Starting from the above mentioned motivation, we chose this theme from the desire to emphasize the need to use managerial accounting in all economic entities existing on the Romanian economic market. We consider it appropriate to approach this topic in the context of updating the economic-financial norms of our country, in accordance with the European requirements in the context of globalization.

To achieve this goal we chose to combine descriptive research, in the first part of the paper, with explanatory research, adopted in the second part of the research paper.

This thesis is part of the field of research oriented to managerial accounting in order to determine the performance of the economic entity through the cost calculation. The main objective of the research is the calculation of the costs regarding the activity of the economic entity in order to give a real and true image to the management team, in order to highlight the impact on the current practices and on the directions of evolution.

The most relevant methods we used throughout the paper and which we propose are: observation, document analysis, comparative method, case study and questionnaire.

For the accomplishment of the work we used:

- ✓ review of the literature, documentation on previous research;

- ✓ data collection techniques: official statistics, reports, studies and occasional or periodic summaries;
- ✓ the statistical grouping, the way of presenting the data using the statistical tables;
- ✓ classification / ordering, placing the data in a certain order, using a well-established criterion;
- ✓ comparison, reporting the size to be measured at the size of another indicator;
- ✓ structured observation;
- ✓ demonstrative observation;
- ✓ problematisation.

The procedures used for this research are: observation, comparison and analysis. The mentioned research procedures represent a harmonization of the descriptive type methodology, found in the first part of the material prepared after the research, with explanatory type documentation, concluding and emphasizing certain theoretical and notional elements, such as: cost calculation, managerial accounting , techniques for the fruition of economic information and the benefits brought by them in the decision-making process, methods and procedures for calculating and analyzing costs.

Using the aforementioned research hypotheses, and, implicitly, following the steps towards achieving the objectives, we aimed to highlight the results obtained by reaching the general objective of the research. The paper does not claim to have an exhaustive approach to the researched problem, wishing to be just a starting point for other possible directions of investigation.

## **SUMMARY OF THE MAIN PARTS OF THE DOCTORAL THESIS**

Structurally, the present work comprises 4 chapters.

Under the name "Theoretical considerations regarding cost type information and its influence on managerial decision making", we find the first chapter in which we have presented some basic notions about costs, grouping of costs, as well as traditional cost calculation systems. Also here are presented various factors that influence the calculation of costs.

The second chapter, entitled "Cost accounting: from cost calculation to decision management", is meant to be an introduction to managerial accounting. This chapter begins by identifying the basic elements of managerial accounting. Also, in this chapter, we aimed to identify its importance in the economic entities, the factors and principles that determine a good implementation and organization of the management accounting. Also listed here are the modern models and conceptions of organizing managerial accounting, among which we mention: Method of calculating the cost based on activity, Method Activity Based Management (ABM) and Method of calculating the target costs. In addition, we clearly highlighted the strategic mission of management accounting, as well as the decision seen as the purpose of the information provided by this type of accounting. In the last part of this chapter, we made an association of the decision management, as an essential criterion in the management of an economic entity, with the solutions for improving the managerial accounting. Also in the same chapter we set out to highlight the influence that costs have in making managerial decisions. From here we can outline a clear answer to the question: "Do all costs have the quality of providing information to the management team, so that it can significantly change its decision?". The answer is an obvious one, namely that "not all costs have the capacity to provide information to the management team, so that it can significantly change its decision", because here comes the tool" calculation method "that helps in translating the volume of accounting information for people entitled to make decisions. It should also not be excluded that the information provided by these methods may be misinterpreted and misunderstood by the management team. Another aspect, considered in this chapter, is the way in which it is possible to transpose the cost information in the decision management. Here is very carefully analyzed the organization of the controlling team, which organizes the information provided by the methods in reports that, later, will reach the end user's table of this information.

The third chapter, entitled "Possibilities of applying the modern methods of cost calculation in the automotive industry", is intended for the analysis of the current accounting

management system and the importance of updating the cost calculation methods in this industry. Also here we used a comparison, in the sense that we considered a detailed exposition of the steps that the analyzed commercial company follows, analyzing the method of calculating the costs that it uses and the possibility of implementing the ABC method. The last part of this chapter attempts to map the ABC method to the specifics of the analyzed company, in order to demonstrate the possibility of improving the accuracy of decision making using this method.

The last chapter, entitled "The file of transfer prices, a tool proving the necessity of calculating the costs and justifying the decisions related to the transactions with affiliated parties", brings to the foreground both the way of drawing up the file of transfer prices, as well as its purpose or necessity for the economic entity. Here, initially, we defined the general information regarding the transfer prices, and then we did a proper analysis of them, regarding all the intra-group transactions existing in the analyzed economic entity.

Throughout the scientific approach, we consider the use of the following working methods: data analysis, concept processing, comparison and revision of information found in the specialized literature.

## CONCLUSIONS, LIMITS AND PERSPECTIVES OF RESEARCH

### **Research conclusions**

The paper "Relevant costs for managers' predictive decisions" required conducting research in many fields of activity: particularities of the automotive industry, management accounting, financial accounting, financial analysis, management and controlling.

This paper has achieved all its proposed operational objectives. Each operational objective was addressed in the chapters of the paper as follows:

✓ The first objective, outlining the current state of knowledge on managerial accounting, cost calculation and decision management, was achieved in the first chapter where we presented a synthesis of literature with evidence on the current study of knowledge, basics of type information cost, costs, managerial accounting and decision management;

✓ The second objective, the analysis of the impact of certain key concepts such as costs, on the decisional management used in the management of a commercial entity, was reached in the second chapter where we presented a synthesis of the literature on cost calculation methods and management decisively and at the same time we presented the influence of cost information on managerial decisions;

✓ The third objective, the approach through a comparative perspective of the application of the cost calculation method currently used by the analyzed commercial entity in the automotive components industry and the application of the modern ABC calculation method, was reached in the third chapter where we exposed the process characteristics. production, precisely for a more accurate understanding of the most appropriate type of method. Also here we used the comparison, in the sense that we will consider a detailed exposition of the steps that the analyzed commercial entity follows, analyzing the method of costs that it uses and the possibility of implementing the ABC method. We mapped the ABC method to the specifics of the analyzed company, in order to demonstrate the possibility of improving the accuracy of decision making with the help of this method. At the same time, we presented the case study from a conceptual point of view, by demonstrating the significant impact of costs in management decision-making;

✓ The fourth objective, the identification of the way in which the analyzed company presents the information regarding the transactions carried out with the affiliated parties in the transfer pricing file, as well as its purpose and necessity for the analyzed commercial entity, was reached in the fourth chapter where we presented the main

regulations existing in Romania, in the field of transfer pricing. In addition, the chapter presents the x-ray of the analyzed entity in the automotive components industry regarding the way in which they are presented in the context of the financial reports of the information with related parties;

✓ The fifth objective, the presentation of the influence of cost information in substantiating the transfer pricing file, demonstrating that decisions were transparently made on the basis of costs, using the appropriate costing method, was achieved in the fourth chapter where we have analyzed the impact of cost information in substantiating the transfer pricing file. Thus it can be justified that the decisions were taken correctly taking into account the costs. The transfer pricing file is a justification before the fiscal body that the decisions taken were correct, the decisions being based on cost information..

Throughout the research paper, we have tried to underline and expose progressively the evolution of management accounting on cost calculation and how it can, in a decisive way, through the information provided by management accounting, influence management decisions.

The decision taken after the calculation of the production cost by the management team is based on a solid principle. This principle consists in comparing the transfer price per product with the cost of the calculated product. If the cost of production is below the established commercial margin, the transfer price shall be corrected by reducing it until they reach the level of the established commercial margin. If the effect is the opposite, the cost of production is above the established commercial margin, the transfer price will be corrected by increasing it until they reach the level of the established commercial margin.

The most relevant costs in managerial decision making in the automotive components industry are fixed costs. These are of great importance for the management team because based on them the expected turnover is calculated, and then with the help of the turnover the forecasted budget is calculated. After the forecast budget has been realized, it is monitored monthly by the controlling team and reports to the management team, so the management has a vision on the activity, and the costs. Having the cost situation monitored, the management of the entity can take decisions at any time, in order to optimize production costs and comply with the pre-established expenditure budget.

Another important management decision is made following the monitoring of the budget and the MoTC (Total Cost Margin), which is closely related to the costs incurred by the entity. Depending on the value of the MoTC, the transfer price is established and the decision is made to decrease or increase it.

Establishing managerial decisions involves the use of modern tools to measure performance. Cost-effectiveness implies an assumed use of available resources in existing production conditions and in the context of the constraints imposed by a crisis situation. Most entities have abandoned traditional costing systems and adopted computing systems based on concepts such as value and performance.

The conclusion drawn from the analysis performed in the case study presented in the doctoral thesis, is that the management decision is influenced by the risks and responsibilities of the entity which are limited depending on the complexity of the products. This means that if the entity analyzed by us has lower responsibilities, then it will automatically have a lower profit. In this case, the parent entity assumes higher risks and is also entitled to higher profit. At first glance, this leads us to the idea that it is preferable for the business entity to have high risks and, of course, the right to a higher profit. This is an ideal situation, but let's not forget the crisis situations or the drastic decreases of orders for the range of manufactured products. In this situation, if the entity has limited liability, regardless of market fluctuations, it is entitled to the same profit while the parent company may close a financial year with little profit or even loss.

Transfer pricing is not only a complex and delicate area, but also a dynamic one, continuously updated by the competent bodies, to correspond to the changing realities of the globalized economy and to eliminate the negative effects that, due to intrinsic characteristics, can have on society, as a whole.

The transfer price file is a delicate subject when it comes to the fiscal body, because it is the connecting element between the existing fiscal regulations on different national markets. Transfer pricing is both an opportunity and a threat, with its impact on affiliate business being significant.

In our view, the objective of setting transfer pricing is to ensure that taxable income in a given jurisdiction is determined on the basis of sound economic and business principles. No government wants to allow businesses to evade taxes by improperly taking advantage of low-income jurisdictions or so-called tax havens, as their tax base suffers from businesses using questionable transfer pricing policies.

The controlling team is the department with a very important role for the commercial entity, because it draws up its reports for the management team, and their professionalism can be found, directly proportional, in the promptness of decision making within the commercial entity.

Given the internationalization of the market, Romanian business entities must focus on quality and they must learn to be interested in setting long-term goals in order to be



competitive. A significant aspect of the research is the awareness of the level of the application of the management accounting in some commercial entities in the studied field. The auto market is experiencing a technological leap in order to meet the needs, preferences and demands of the final consumers.

Analyzed business entity in the automotive components industry is a happy case, because the management accounting is not integrated in the accounting office and does not apply outdated methods of calculation, as expected in Romania, but, on the contrary, it applies modern methods of calculation. Moreover, the department that produces these reports is a separate, independent, directly subordinated management.

The advantages of modern costing methods are diverse, as evidenced by the content of the research work undertaken.

Thus, modern costing methods offer, as a competitive advantage, a new vision on how it is more efficient to organize accounting within the business entity, giving management a correct and detailed perspective on costs in order to take the necessary strategic measures.

At the same time, modern methods allow a more accurate identification of cost centers, leading to a higher highlighting of them but also of the sources that generate these costs, in a way that allows a qualitative increase of the information system related to costs. Indirect cost monitoring is another advantage of modern costing methods and is likely to improve the entity's management strategies.

The analyzed business entity, like most commercial entities, faces stocks that exceed the required. In this sense, reducing the volume of stocks becomes necessary, because stocks do nothing but block money, and increasing their value makes it difficult to implement certain efficient technologies. Thus, the commercial entity focused its interest on reducing stocks in a special way by implementing a new system for ordering raw materials and spare parts, even more, reduced the number of pieces that make up the safety stock.

It is undeniable that every employee, in the management team, should take responsibility for the costs of the department he leads and his interest should be focused on increasing the economic productivity of the business entity and, moreover, top management. It must impose a policy in which the essential goal is institutional ethics.

Establishing managerial decisions involves the use of modern tools for measuring performance. Cost-effectiveness implies an assumed use of available resources in existing production conditions and in the context of the constraints imposed by the crisis situation. Most entities have abandoned traditional costing systems and adopted computing systems based on concepts such as value and performance.

In the current economy, the only way to increase economic efficiency is to use spending budgets rationally. At the same time, in order to be able to withstand competition, entities must find numerous levers to reduce costs and make the most of the resources consumed.

In the same vein, entities use numerous partially used costing models to provide administrators with the information they need. Most use traditional costing methods, which, in the current context of the economy, are no longer yielding.

For example, the uninterrupted development of economic activity involves a continuous consumption of factors of production. The economic agent optimizes the combination of available factors of production with the aim of maximizing the economic profit obtained. One of the most effective methods of maximizing profits can be achieved by reducing costs.

We believe that the modern method of calculating ABC costs meets the needs of entities to correctly determine production costs. The method provides relevant information regarding costs, provides solutions to reduce costs, but also to determine the performance of the business entity.

The next step in developing the research is to effectively adapt the ABC method in the production department of the analyzed business entity in the automotive components industry and to find solid reasons to strengthen our certainty about the practical applicability of the ABC method.

Of course, this method also imposes certain limitations, but we are sure that its application offers the best costs.

The limitations we have referred to are closely related, on the one hand, to some objective factors and, on the other hand, to some subjective factors of the costing activity, and are not necessarily specific to the ABC method.

Thus, the difficulty of collecting accurate information as a consequence of certain limits and restrictions imposed by certain departments (subjective factor - human or objective factor - working procedures) can lead to a decrease in the efficiency of the ABC calculation method.

On the other hand, another limitation may be generated, in some situations, due to the high workload in all phases of the implementation of the ABC method, and is a limitation closely related to the qualification of the staff in charge of applying the method (factor subjective - human).

Of course, these limitations can be overcome or their effect can be restricted by taking the right management measures in this regard (superior professional training of employees

in charge of performing the calculation, establishing strategies and a protocol of collaboration between departments to allow access to completeness of all information necessary for the proper application of the ABC method).

From the point of view of computer programs that can be implemented in commercial entities, we can consider that the commercial entity analyzed in the automotive components industry uses a modern information system, which can organize and highlight information related to management accounting according to management needs.

The determination of production costs also entails correct strategic decisions taken by the management team, of course if the costs are correctly reported and presented in relevant reports.

After an analysis of the functions performed, the assets used and the risks assumed by the service provider and its related parties, the simple reimbursement of costs without the addition of a profit element is considered reasonable. The supplier does not add significant value in relation to the reimbursed activities carried out and merely transfers the costs to third parties to which a profit margin cannot be added, as the costs of third parties are already established in accordance with the market value principle.

The unit cost for the product in that range in 2019, resulting from the method that the entity already uses will be 3.31 Ron, while using the proposed method we managed to obtain a lower unit cost, the method that would not it must not be ignored by management at all, even if in this case we are dealing with an affiliated entity, and in these groups of economic entities the calculation methods are imposed by the group, but it does not forbid them to use another calculation method. in which the management team wants to have a true picture of costs that can be easily highlighted using the ABC method.

Even if we have obtained a lower unit cost with this method, we must also take into account the limitations of the ABC method, which can be identified from the moment of exposing all the activities of the entity in question is the large volume of data to be collected. allowing a quick verification of the costs of the activity whenever necessary. As operations become more complex the use of this method requires more and more time for calculation and sometimes significantly higher costs of implementing the method.

The transfer pricing file demonstrates that the use of the costing method is correctly used both in terms of obtaining the information necessary to substantiate a decision and in terms of taxation, in the sense that this file demonstrates that the business entity does not prejudices the state, and the taxes paid by the commercial entity in Romania are correct. In other words, the transfer pricing file is used, at any time, as a supporting tool in case of tax controls. Only in this way do transfer pricing practices in connection with the reimbursement

of certain costs without an additional element of profit comply with the market value principle.

As a whole, transfer pricing is not an exact science and therefore they appeal on the one hand to the professional judgment of specialists within companies and on the other hand to the professional judgment of tax authorities, to ensure good collaboration and full understanding of the context in which a company carries out transactions with related parties, the ultimate goal being to provide a fair assessment of the conformity of transfer pricing in these transactions with the market value principle.

Transfer pricing is not only a complex and delicate area, but also a dynamic one, continuously updated by the competent bodies, to respond to the changing realities of the globalized economy and to eliminate the negative effects that, due to intrinsic characteristics, can have on society. as a whole.

We believe that the file of the transfer price is a delicate subject when it comes to the fiscal body, because it is the connecting element between the existing fiscal regulations on different national markets. Transfer pricing is both an opportunity and a threat, with its impact on affiliate business being significant.

In our view, the objective of transfer pricing is to ensure that taxable income in a given jurisdiction is determined on the basis of sound economic and business principles. No government wants to allow businesses to evade taxes by improperly taking advantage of low-income jurisdictions or so-called tax havens, as their tax base suffers from businesses using questionable transfer pricing policies.

A business entity belonging to a group must remain vigilant to ensure that its transfer pricing policies meet current standards set by tax authorities around the world and also continue to meet its own business objectives.

In conclusion, we can say that between management accounting and decision management there is a close connection, meant to come to the aid of the management team, because managerial accounting is the raw material for management. Thus, for an efficient management decision, managerial accounting must provide information that is as intelligible, relevant, credible and comparable as possible. The present study aims to show the relevance of the accounting information, provided by managerial accounting, in the decision making by the management.

## **Own contributions**

We consider that the present paper, if we refer to the proposed objectives, manages both to support all the hypotheses formulated at the beginning, and to make its own contributions to the issues subject to research.

The own contributions that were the basis for the elaboration of the scientific paper will be summarized for each chapter of it. In this regard in the first chapter. Theoretical considerations regarding the cost type information and its influence in the managerial decision making, were outlined in the conjuncture of the synthesis of the existing specialized literature, and in this sense certain aspects were drawn, of which the most eloquent are: the three categories of factors that influences the production costs are: technical factors, managerial factors and economic-financial factors; most studies aim at managerial factors as a defining element in reaching the highest level of performance; most studies focusing on managerial factors focus on how management decisions are based on relevant costs obtained from the cost control team, the team that, with the help of the cost calculation method agreed at entity level, provides the true image at a given moment. of the company; also in the specialized literature, we find arguments that are concentrated around the phenomenon of manipulation with the help of the method of calculating the costs used, due to the permissive legislative framework in the field of organizing managerial accounting.

In the next chapter, personal contributions consisted in representing how the importance of calculating costs for the management team in making relevant managerial decisions was presented and emphasized; more precisely, the solutions considered for the improvement of managerial accounting in order to provide the management team with optimal information. This chapter of the paper could be useful both to practitioners in the field of cost analysis and to those who want to gain knowledge in this field, being novices, because the information presented here is conceptual, easily providing familiarity with both elements of modern methods and classics of cost calculation, defining elements for managerial accounting but also aspects that frame the managerial decision as the final goal of the information provided by managerial accounting. Also the contributions made in the field of managerial accounting are outlined by identifying the benefits brought by a modern management of a business entity, ie modern methods, as I pointed out throughout the paper, focus on activities resulting from events, and which at the same time , consumes resources in order to achieve the outputs that are actually found in products or services.

Through the analysis carried out during the third chapter, entitled 'Possibilities of applying costing methods in the automotive components industry', the contributions made concern the following:

✓ I described how the expenses registered on generating activities are correlated to the analyzed commercial entity in the automotive components industry - As I showed in the above example I analyzed how the expenses registered on generating activities at the analyzed commercial entity are correlated in order to see the business model and understand the mechanism of correlating the expenses recorded on generating activities applied.

✓ I presented the essential characteristics of the production process within the studied commercial entity. Following the analysis made to understand how the expenses recorded on generating activities are correlated, I have listed above the essential characteristics of the production process in order to see what modern method can map on the specifics of the business entity analyzed in the automotive components industry.

✓ I emphasized the importance of catalyzing the methods of calculating costs.

✓ I made my own systematizations, having as reference the information from the database of the commercial entity analyzed in the automotive components industry and the conceptual steps of cost calculation using the methods chosen for example during the thesis.

✓ I analyzed the method that the business entity currently uses, taking into account the reasoning of the organization in using accounting information and how to properly collect the information relevant to the application of the method used and agreed by the group.

✓ I analyzed the way in which the cost control team prepares the reports to be made available to the management team. As we have shown in the analysis made in this chapter, it was very important to observe what kind of information is provided to the management team to make the necessary decisions and what kind of costs are subject to analysis.

✓ I emphasized the importance of clear rules for organizing management accounting and standard internal procedures for all companies in the group.

✓ I analyzed the impact of expenses in determining the standard unit cost using the group-specific method. It was a very important step to make sense of the study outlined in this thesis to analyze the impact of all expenditures in determining the standard unit cost.

✓ I analyzed and transposed in this paper in tabular form the steps followed for the application of the ABC method in determining the standard unit cost for a range of products chosen for analysis.

✓ I analyzed the impact of all expenses in determining the standard unit cost using the ABC method. One conclusion we reached after the analysis is that the strongest

consideration that indicates that the ABC method can be successfully applied to the analyzed entity is the low value of the projected unit cost, obtained for 2019, while for the product from that range following the standard steps of the method that the business entity currently uses we obtained a significantly higher unit cost. Analyzing in detail, with the help of the method that an entity already uses in 2020, the unit cost decreases significantly with the increase of the production number and the stabilization of the production process for the product from the analyzed range.

✓ I have identified the processes, activities, associated costs and cost drivers within the business entity analyzed in the automotive components industry, according to the necessary steps to follow to calculate costs using the ABC method.

✓ I calculated the unit cost of production by the ABC method for the chosen product. As can be seen in the analysis above, my contribution was to map all the steps that calculation of the ABC method on the data of the analyzed business entity in the automotive components industry to obtain a real unit cost of production and comparable to that already obtained with using the method used by the entity.

✓ I have identified certain levers meant to provide solutions for applying the modern method of calculating the chosen costs. Due to the fact that we analyzed in detail the production process, the calculation method already used and the cost information that is made available to the management team, we easily intensified the opportunity to apply modern calculation methods to the specifics of the analyzed business entity.

✓ I have identified the main advantages, but also limitations of applying modern calculation methods compared to methods that the analyzed entity in the automotive components industry uses. Of course, these limitations can be overcome or their effect can be restricted by taking the right management measures in this regard.

✓ I presented the case study from a conceptual point of view. My contribution has been to highlight and demonstrate the significant impact of costs in management decision making. With the help of the case study we managed to highlight those costs that have a significant impact on decision management.

The applicability of the research carried out at the level of the third chapter targets the practitioners in the economic field, the management team and specialists within the company who use this information in substantiating the transfer pricing file, and finally targets the tax authorities.

My own contributions to the fourth chapter "Transfer pricing file, a tool proving the need to calculate costs and justify decisions related to related party transactions" is to make an x-ray of the entity analyzed in the automotive components industry. how they are

presented in the context of financial statements of information with related parties. At the same time, my own contributions consist in presenting the main regulations in the field of transfer pricing. These results obtained in this chapter are also applicable to tax authorities, groups of companies, the management team and transfer pricing practitioners.

My own contribution was to show the close link between costs, decision and transfer pricing file. Basically, the transfer pricing file is a justification before the tax authority that correct decisions were taken between the affiliated parties and that the transaction price was set correctly based on the calculation methods used and implicitly the costs involved in the calculation. With the help of the study presented, I tried to accurately capture the steps followed, the preparation and the information used. Their ultimate goal in short is to prove to the tax authorities that the decisions were transparently made on the basis of costs.

Other personal contributions made during this chapter are:

- ✓ I surprised the national legislative framework, which aims to regulate transfer prices;

- ✓ I have identified the adequacy of the method of determining transfer prices;

- ✓ I have identified the benefits of using transfer pricing when it comes to tax control and more;

- ✓ I underlined the connection between the transfer pricing file and the cost calculation;

- ✓ I briefly outlined the connection between taxation and the transfer pricing file.

Following the study, I found that the skills of the cost control team can influence how information is understood by the management team and implicitly the management decision. The cost calculation methods do nothing but group the relevant information for the cost calculation, and their relevance and correctness is reflected in the transfer pricing file and moreover it justifies the results of the method used before both the tax authority and the verification body. within the group.

The originality of the research carried out at the level of this chapter is represented by the fact that until the time of this paper, we have not identified here a practical study that reflects a concrete example of drawing up the transfer pricing file, where we can clearly see how national and international regulations are implemented on transfer pricing.

Considering all the present work, its novelty and originality is also given by the fact that in Romania, both for the fiscal authorities and for the economic field, the concept of transfer price is new and of interest.



## **Limits of research**

Although the paper has achieved its objectives, however, during the scientific process, we have encountered different situations that can be considered limitations of the research:

- ✓ limitations coming from certain departments when collecting costs;
- ✓ the complexity of the technological process and the selection of those key activities generating costs;
- ✓ in order to apply the ABC method, so that it proves its efficiency, the economic entities must have a modern computer system that will allow to collect all the costs generating costs. It is precisely the absence in many economic entities of modern information systems that may be a limit in the application of the method;
- ✓ the step-by-step pursuit of observing the stages of the process of application of the method is most often limited by its complexity;
- ✓ the lack, in our country, of a guide that will make the correct preparation of the transfer pricing file more explicit.

## **Proposals**

We consider that both the practice and the theory in the studied field must accept more the influence of ethical behavior in the process of preparing the reports meant to serve the management team.

Given that the analysis in the present paper focuses on a commercial entity in an area where the development is carried out quickly and the investments are permanent, the investment decisions must be taken and based on an assiduous analysis, carried out by controlling department.

The application of modern methods aims to perform the calculation and, implicitly, to obtain timely information for the management team.

## **Future research perspectives**

It is necessary, we consider, the extension of the practical research to the whole commercial entity and not only, locally, to a production line in order to be able to equitably break down the auxiliary costs on the whole activity. The commercial entity on which we conducted the practical study must not see the application of modern methods of cost calculation as a limitation of the entity's purpose and, moreover, make a clear correlation between the calculation methods and the transfer pricing file in order to be covered at a future fiscal control.

The economic entity should not see the drawing up of the transfer pricing file as a mandatory report to be drawn up only with the purpose of being audited by the fiscal body, but as an informational tool that sums up all the significant aspects found in the cost accounting over a certain period of time and which can be accessed by users at any time.

In the basis of the reports, for the management team, it is not obligatory to follow only the classical steps of implementing one method or another, but it is advisable to adopt certain parts belonging to another calculation method, alternatively to the method chosen by the commercial entity, depending on the needs of the management team.

The purpose of this paper is to provide the most accurate and useful information for substantiating decisions, in order to guide the business entity to success.

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### **Legislation:**

1. Internal Revenue Code document intern a grupului
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