

## THE IMPORTANCE OF THE BUDGETING ACTIVITY IN THE DECISION- MAKING PROCESS

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### **Abstract**

*The general management accounting system is now outdated because the information generated by the system arrives too late or too distorted to be relevant to managers' planning and control decisions, moreover, the system is based on simplistic and arbitrary methods and fails to reflect accurate product costs. Entities use managerial accounting techniques, which include both financial and non-financial information, as tools in obtaining useful information throughout the technological processes. By using these methods, the aim is to ensure efficiency in the operations carried out. The present work has as its main objective, the detailed highlighting of the role of cost calculation in the substantiation of managerial decisions, but also of the process of drawing up budgets elaborated at the company level in order to optimize profit and to substantiate optimal decisions.*

**Key words:** *costs; cost calculation; management accounting practice; budgets; managerial decision;*

**JEL Classification:** *M41.*

### **I. INTRODUCTION**

The importance of the budget in the planning and control of the different components of a company is given by the attempt to obtain performances in a competitive environment and under the conditions of the use of limited resources. Thus, the budget must be perceived as a voluntary action plan and an instrument for coordinating the various structures of an organization in order to achieve the established objectives. The ability of the budget to connect the organizational links of an enterprise is based on the fact that any forecast or objective employed must ensure at least the level of efficiency and profitability measured by the budget.

The main aspects addressed in the paper consist in the description of the performance monitoring system within the economic entities, the tools used, how the performance measurement tools are used, the exposure of the different budget practices applied in the economic entities and last but not least, the types of budgets used and their importance in the decision-making process in terms of the development methodology and the links with the company's strategy. The quantitative methodology helped me to analyze the scientific works from the specialized literature, and for the scientific research I used the data provided by SC ALFA SRL, a company active in the textile industry.

### **II. LITERATURE REVIEW**

Managers must decide after analyzing the market which products can be sold, if the production of a certain product-service should be continued, if it is time to make purchases of raw materials, materials or components, which sales prices to apply, which sales channels distribution should be used, if certain special orders should be accepted at special prices, and so on. Making such decisions is often a difficult task that is complicated by numerous alternatives

and a large volume of information, only some of which may be relevant (Mihalciuc, 2022). Every decision involves choosing between at least two alternatives. In making a decision, the costs and benefits of one alternative must be compared with the costs and benefits of another alternative. Costs that differ between alternatives are called relevant costs.

Distinguishing between relevant and irrelevant costs and benefits is essential for two reasons. First, irrelevant data can be ignored - saving decision makers time and effort. Second, bad decisions can easily result from the erroneous inclusion of irrelevant costs and benefits when analyzing alternatives. "Management-oriented accounting should be able to oversee success by implementing decisions, showing true values that are comparative to standard values" (Tulvinschi, 2010, pp. 49-58).

To be successful in decision-making, managers must be able to differentiate between relevant and irrelevant data and must be able to correctly use relevant data in analyzing alternatives. Only those costs and benefits that result totally differently between the alternatives are relevant for consideration in making a decision. If the total amount of a cost will be the same regardless of the alternative selected, then the decision has no effect on the cost, so the cost can be ignored. An avoidable cost is a cost that can be eliminated in whole or in part by choosing one alternative over another. In conclusion, we can state that "avoidable costs are relevant costs and unavoidable costs are irrelevant costs" (Garrison, Noreen and Brewer, 2012, p.580). There are also costs that are never relevant in decision-making. These irrelevant costs are: sunk costs - is a cost that has already been incurred and cannot be avoided regardless of what a manager decides to do and future costs that do not differ between alternatives. "Decision making is often a difficult task that is complicated by numerous alternatives and massive amounts of data, only some of which may be relevant" (Victoravich, 2010, pp. 85-108).

Management accounting practices are "organizational information systems that provide an organization with relevant information to add value to it" (Langfield-Smith, 2009). They facilitate "making effective decisions that help organizations promote intended behaviors" (Axelsson, Laage-Hellman, & Nilsson, 2002, pp. 53-62). We can observe that in the specialized literature we identify, depending on the period of development and/or their characteristics, that management accounting practices are classified into traditional practices and contemporary management accounting practices. Kaplan and Johnson (1987) include in the category of traditional management accounting practices the techniques and tools that were developed before the 1980s, including standard-costing, variance analysis, return on investment (ROI), budgeting and cost-benefit analysis (CBA). These traditional management accounting practices are "viewed as those accounting practices that are short-term focused and both internally and financially oriented" (Chenhall, & Langfield-Smith, 1999, pp. 37-46). Kaplan & Johnson, (1987) considered that these traditional practices would no longer satisfy the needs of post-1980 managers due to the arbitrary way in which costs are allocated. It was also believed "to promote dysfunctional gambling behaviors and compromise long-term capability development at the expense of short-term profitability targets" (Sulaiman, Ahmad & Alwi, 2005, pp. 493-508). Other management accounting practices have subsequently emerged "developed to overcome the limitations of traditional management accounting practices and to meet the demands of the ever-changing business environment" (Wu, Boateng & Drury, 2007, pp. 171-185). These management accounting practices are called contemporary management accounting practices and referred to in modern, recently developed literature as new, advanced or innovative management accounting practices. Contemporary costing and cost management practices are "those practices that have the ability to identify cost sources, manage and reduce costs, and eliminate wasteful activities. They are also process-oriented and focused on the identification and analysis of cost drivers" (Smith, Thorne & Hilton, 2006). Contemporary budgeting practices are detailed in nature and encompass all activities, departments and sections.

### **III. METHODOLOGICAL APPROACH TO THE PERFORMANCE MEASUREMENT SYSTEM THROUGH THE BUDGET NETWORK**

The role of budgets resides in the functions it must fulfill, namely: the function of coordination, forecasting and simulation and the function of delegation, motivation and evaluation (Mihalciuc, Buliga, 2019).

The development of a set of coherent budgets is a means of ensuring the compatibility of the actions of the decentralized units, through the function of coordination, forecasting and simulation, the budgets take on the role of forecasting tools that show the difficulties that will be overcome to achieve harmony between the different functions. According to the function of delegation, motivation and evaluation, the budget is a constraint between the top management and the managers to whom the decisions are delegated. Respecting the objectives, means or results that are set for them through their budget is an important criterion in evaluating the performance of the managers of the

decentralized units. Thus, the budget guarantees the motivation of those in charge in favor of the realities of the entity's strategic objectives (Epuran, Băbăiță, Grosu, 1999).

The main component of management control is budgeting, as predictive management involves budgeting the main areas of activity of the enterprise and controlling compliance with budget provisions. Thus, budgets and budgetary control are included in the scope of budgeting. "The systematic process of ordering future actions, which contributes to the achievement of objectives over limited periods of time, is budgeting. The budget represents the financial document, developed until the time of the foreseeable actions, expressing monetarily the activity and development plans of the entity, which coordinates and presents the administrators' projects in figures" (Mihăilă, S., 2022). It changes human behavior and decisions in the sense desired by managers, who must take into account uncertainties, either with a budget or without it. Supporters of budgeting say that the benefits provided by the use of budgets always exceed the costs of creating and managing budgets.

Budgetary control is one of the most used mathematical and IT tools in the activity of supervising executive management. Known since the 1930s, budgetary control is part of financial controls "being specific to large enterprises" (Bouquin, 2011, p. 128). The budget is, at the same time, the last stage of planning and the first stage of control. The complementary aspects of management control are the following: "Have the objectives been achieved?" Do the allocated resources correspond to those foreseen?" (Cuyaubere, Muller, 1991, p. 455). Budgetary control recommends the decentralization of responsibilities and offers autonomy to the people involved in decision-making. The processes are carried out in a logical order, starting with the setting of the objectives and ending with the corrective measures. Coherence represents the third appropriation of budgetary control and ensures the harmonization of the general objectives with the secondary ones of the entity. The third level of control refers to operational control generally concerned with daily activities and aims to implement strategic plans. "Operational control" regroups the processes used to check the tasks (attributions) of the executors. According to ACCA (P5, 2015), accounting controls are a form of operational controls that are established in the short term and are very demanding. Finally, management control contributes to the optimization of the entity's performance if it respects the logical sequence of these control processes. Strategic objectives represent the beginning of action, followed by financial plans and the budget system, and budget control and performance evaluation represent the final stages. "Some researchers appreciate that the best performance is usually achieved when a budget is perceived as an achievable challenge. Thus, the objectives must be set at a "ready-to-be-achievable" level in order to obtain maximum motivation and sustainable performance" (Bîrcă, 2017, p. 26).

The budgets provide relevant information for all levels of management, indicate the parameters that the entity must achieve in time to achieve the set objectives. The budget represents "a short-term quantification of the long-term plans of an organization" (Graham, Lucas, 2010) that contains the list of planned expenses and income of an entity, i.e. the money it is expected to take in or spend. In essence, a budget should be more than just a forecast of what will happen, as it includes an element of what the organization aims to achieve. The budget is often expressed in financial terms, but it can also include some non-financial elements. - financial.

Budgets can tell managers how many resources they will have at their disposal, which therefore determines the number of employees they have access to, the activities that can be carried out and those for which there will be no funds. Budgets also give them an indication of what the organization expects from managers in terms of their performance, and a basis on which that performance will be evaluated. Budgets should also be aligned with the entity's goals and indicate to managers what their individual role is in meeting common organizational goals. Budgets are also important for coordinating the work of different departments and their managers. Unlike financial statements, the budget does not have a standard form that can be remembered, it can be both simple and complex, the format is established by the person who prepares it. In practice, we encounter several categories of budgets, but the most used are the functional budget and the operational budget or by responsibility centers. The functional budget is the budget, which represents a certain functional side of the entity's activity: sales through the sales budget and the sales revenue budget; supply through the procurement budget and the expenditure budget for procurement; production through the production budget and the budget of direct production costs; entity management through the budget of personnel expenses and the budget of administrative expenses.

Schematically, the functional budget is presented according to the structure in figure no. 1:

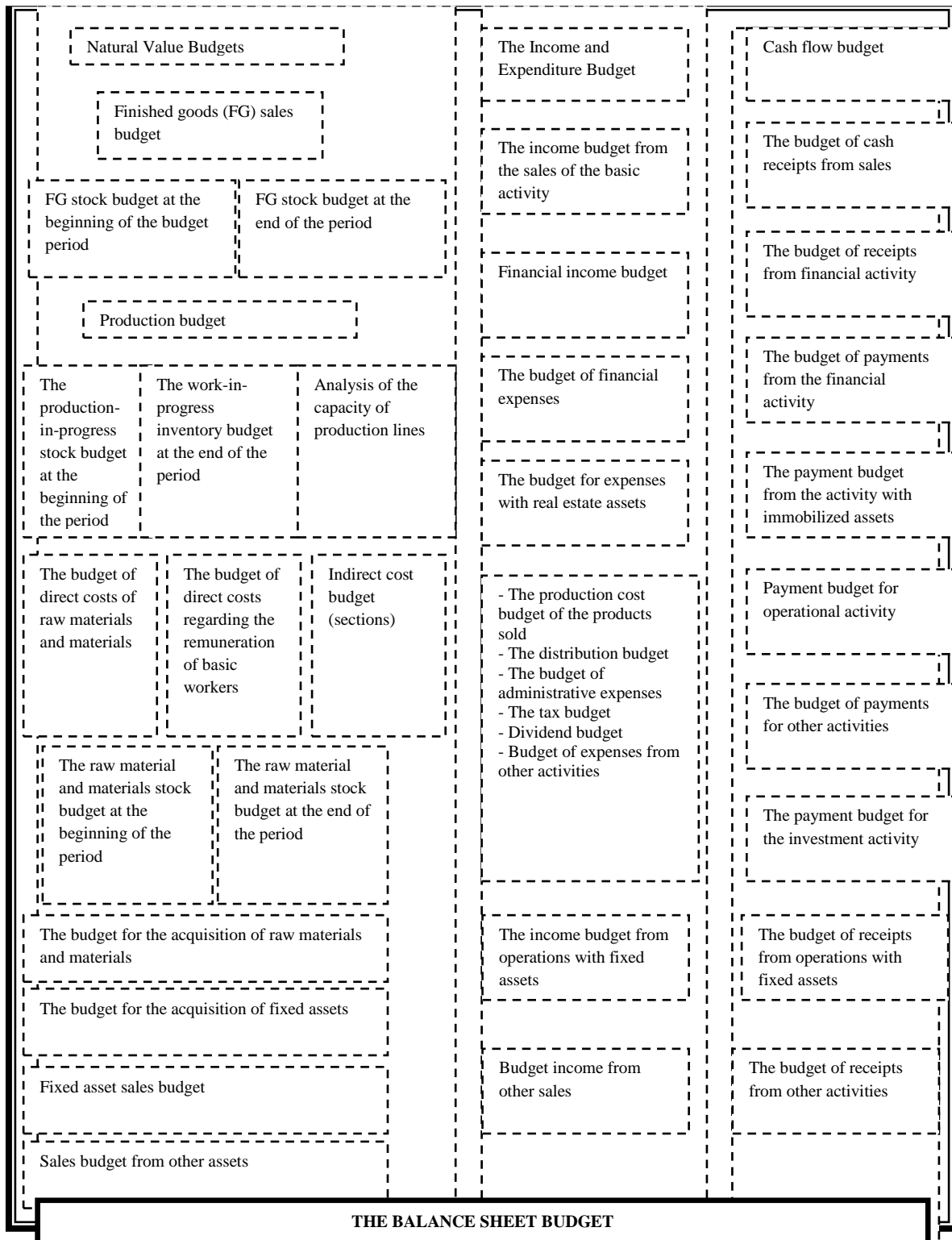
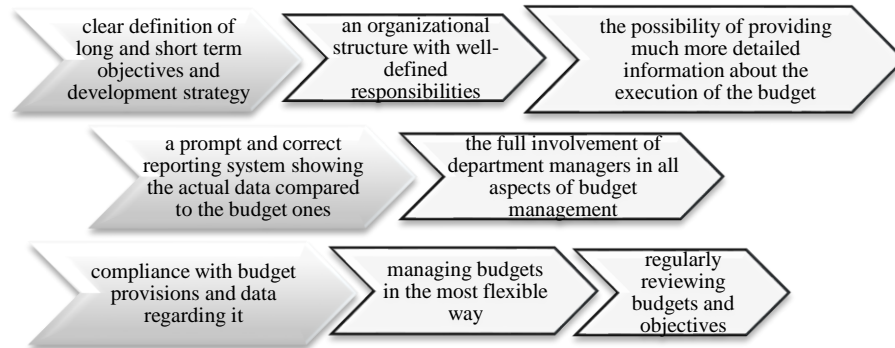


Figure – 1 The structure of the functional budget

Source: own processing after Mihaila S., (2022) Evaluarea performanței entităților prin sistemul de bugete, Editura ASE Moldova





**Figure – 3 The factors that determine the importance of budgets in decision-making**

Source: own processing after Mihalciuc, C.C. (2022). Optimizing the link between management accounting and business management, Ecoforum Journal, 11(1).

We can conclude that there is a need for adaptability, a flexible budget can reflect the change in the level of activity. During a financial year, fixed costs are not usually affected by the increase or decrease in the level of activity, but there are other costs that can vary according to the level of activity. A lot of attention is needed, and through the flexibility of a budget, the evolution of each cost can be corrected by revising the initial budget, taking into account the level of activity actually achieved.

**IV. APPLICABILITY IN PRACTICE OF BUDGETS AND OTHER PERFORMANCE MEASUREMENT AND CONTROL TOOLS AT SC ALFA**

Using the information provided by the ALFA entity regarding costs and results, we will address aspects of budgetary practice, presenting the main budgets drawn up and used at SC ALFA SRL, estimated budgets for next year. Thus, taking into account factors such as: the effectiveness of the entity's marketing activity, the size of the markets for SC ALFA SRL products, the forecasts regarding the growth of these markets, the competition of other companies and the effect of advertising on the market share, we will consider for performing the calculations that in the following year increase the production capacity for each manufactured product (the products under analysis are men's jackets, women's jackets, men's pants, women's pants and women's skirts) by 25%, and the selling price will also increase by only 15%. In this sense, we present the calculations in table 1.:

**Table 1. Estimated increases in production level and selling price**

Estimated growth	Men's jackets	Women's jackets	Men's trousers	Women's trousers	Women's skirts
Current year production	10,000	12,500	10,000	12,500	14,000
25% increase	2500	3125	2500	3125	3500
Estimated production	12,500	15,625	12,500	15,625	17,500
Current year sale price	260.00	250.00	200.00	190.00	120.00
15% increase	39	37.5	30	28.5	18

Source: Own processing, data taken from SC ALFA

The budgeted sales situation can be seen in table 2.

**Table 2. Budgeted sales for the coming year and established selling prices**

Products' name	Sales volume (units)	Unit sales price (lei)
Men's jackets	12500.00	299.00
Women's jackets	15625.00	287.50
Men's trousers	12500.00	230.00
Women's trousers	15625.00	218.50
Women's skirts	17500.00	138.00

Source: Own processing based on the data from table 1

After establishing the programmed levels of sales in physical units, the units that must be supplied by the production sector can be calculated. The production budget is a detailed plan that identifies the products that must be manufactured or offered to meet the budgeted sales and inventory needs. Management must first determine whether the level of finished goods inventory should remain constant, increase, or decrease. The information regarding the stocks of raw materials, materials and finished products both at the beginning of the budget period and for the end of the budget period was taken from the managerial accounting.

**V. ANALYSIS OF DATA AND RESULTS**

In this part of the paper, the authors resorted to the presentation of the methodological steps that must be taken in order to prepare the budgets specific to the production activity in the textile industry.

The centralized situation of the information regarding the budget of the production activity is presented in table 3.

**Table 3. The production activity budget**

Stock name	m.u. measurement units	Stocks:	
		at the beginning of the budget period	budgeted for the end of the period
<b>Products (Goods)</b>			
Men's jackets	Pieces (Pcs)	11200	9000
Women's jackets	Pieces (Pcs)	13700	3750
Men's trousers	Pieces. (Pcs)	12750	9800
Women's trousers	Pieces (Pcs)	12700	7900
Women's skirts	Pieces (Pcs)	10400	5500
<b>Basic materials</b>			
Fabric	Meter (M)	21000	9500
Lining	Meter (M)	17900	6800
Thread	Meter (M)	10000	5500
Buttons	Pieces (Pcs)	14000	7200
Zipper	Pieces (Pcs)	12000	9800
Label	Pieces (Pcs)	9850	4800
Reinforcement battelle	Meter (M)	4300	2500

Source: Own processing

After the information about the stocks that our entity holds has been determined, we move on to identify the raw materials and materials needed to manufacture the estimated output, and to do this we need information about the technical sheets for each manufactured product, thus, in table 4. we centrally present the technological sheet used for the manufacture of a product unit.

**Table 4. The technological sheet for the manufacture of a product unit**

Elements	m.u.	Products (Goods)				
		Men's jackets	Women's jackets	Men's trousers	Women's trousers	Women's skirts
Fabric	M	2	2	1.2	1.1	0.55
Lining	M	1.5	1.4	0.6	0.55	0.5
Thread	M	6	4	1	1	1
Buttons	Pcs	0.35	0.3	0.25	0.25	0.5
Zipper	Pcs	2	2	2	2	2
Label	Pcs			1	1	1
Reinforcement battelle	M			0.14	0.14	0.14
Necessary time	man-hour	16	18	14	14	10

Source: Own processing

The next step we need to take is to identify the purchase costs of the raw material and materials used, as well as the man-hour rate for each of the finished products. In table 5, the information related to costs and tariffs was centralized.

**Table 5. Cost/tariff data**

Elements	Costs/fees (lei)
<b>Basic materials:</b>	<b>Budgeted unit purchase cost:</b>
Fabric	55
Lining	8
Thread	1
Buttons	4
Zipper	0.5
Label	1
Reinforcement battelle	30
<b>Products (Goods):</b>	<b>Man-hour rate:</b>
Men's jackets	7.30
Women's jackets	7.10
Men's trousers	6.70
Women's trousers	6.50
Women's skirts	5.90

Source: Own processing

In table 6, the data corresponding to the direct cost of each finished product manufactured by the ALFA SRL entity has been centralized, and in table 7, the estimated indirect production costs estimate for the next year is presented, the basis for the distribution of indirect production costs being the time actually worked.

**Table 6. Total direct cost of the products**

Products (Goods):	Quantity produced (pcs)	Total direct cost
Men's jackets	12500	1.830.000,00
Women's jackets	15625	2.240.625,00
Men's trousers	12500	1.187.500,00
Women's trousers	15625	1.392.187,50
Women's skirts	17500	875.875,00

Source: Own processing

**Table 7. Estimate of production costs for next year**

Production costs	Amount (lei)
1. Raw materials	5,917,187.50
2. Auxiliary materials	569,000.00
3. Expenditure on departmental staff salaries	549,798.25
4. Direct electricity consumption	10,040,000.00
5. Other indirect expenses	2,520.00
6. Depreciation of machines, equipment, buildings	291.67
7. Indirect electricity costs	6,560.00
8. Rent expenses	6,400.00
9. Costuri repartizate din secția de întreținere și reparații	32,145.82
<b>Total costuri indirecte de producție</b>	<b>8,123,903.24</b>

Source: Own processing

The production budget is particularly flexible, that is, it includes on the one hand volume production objectives (physical indicators), and on the other hand a forecast of production expenses. These expenses are also divided into fixed expenses (independent of the production objectives) and variable expenses (considered proportional to the production objectives). In table 8, the fixed expenses from the administrative department are centralized:

**Table 8. Budget of expenses of the Administrative Department**

Administrative expenses	Amount (lei)
1. Administrative staff salary	38,343.75
2. Electricity expenses	640.00
3. Rent expenses	800.00
4. Depreciation expenses	41.56
5. Other expenses	510.00
6. Costs apportioned from the maintenance and repair department	1,250.12
<b>Total administrative expenses</b>	<b>41,585.43</b>

Source: Own processing



The first component of the sales budget is the sales revenue budget, which must be correlated with the marketing plan and is based on the forecasted sales volume, reflecting the estimates made by the sales and marketing managers based on several studied factors. Having the data related to the expected production and the sales price, we draw up the sales revenue budget, in the form presented in table 9.:

**Table 9. Sales revenue budget**

<i>Products (Goods)</i>	<i>Sales volume (units)</i>	<i>Unit sales price (lei/unit)</i>	<i>Sales revenue (lei)</i>
Men's jackets	12500.00	299.00	3737500.00
Women's jackets	15625.00	287.50	4492187.50
Men's trousers	12500.00	230.00	2875000.00
Women's trousers	15625.00	218.50	3414062.50
Women's skirts	17500.00	138.00	2415000.00
<b>Total</b>			<b>16933750.00</b>

Source: Own processing

Since we also have production in progress, in table 10. we calculate the budgeted volume of production to be achieved:

**Table 10. Production budget in units**

<b>Indicator</b>	<b>Men's jackets</b>	<b>Women's jackets</b>	<b>Men's trousers</b>	<b>Women's trousers</b>	<b>Women's skirts</b>
Budgeted sales volume	12500	15625	12500	15625	17500
The stock of products at the end of the budget period	9000	3750	9800	7900	5500
The total amount needed	21500	19375	22300	23525	23000
Product inventory at the beginning of the budget period	11200	13700	12750	12700	10400
The budgeted volume of production	10300	5675	9550	10825	12600

Source: Own processing

Once the budgeted volume of production is established, we proceed to the next step, namely the elaboration of the budget for raw materials and materials necessary to achieve the established objectives. In table 11. we can see the centralized situation (value of budgeted purchases):

**Table 11. The budget for the acquisition of raw materials and materials-value units**

<b>Indicators</b>	<b>Materials</b>							<b>Total</b>
	Fabric	Lining	Buttons	Thread	Label	Zipper	Reinforcement battelie	
The necessary purchases of materials	50747.5	30278.75	112975	9901.25	122295	27925	2816.5	
Procurement cost	55	8	1	4	0.5	1	30	
<b>The value of budgeted purchases</b>	<b>279112.5</b>	<b>242230</b>	<b>112975</b>	<b>39605</b>	<b>61147.5</b>	<b>27925</b>	<b>84495</b>	<b>3359490</b>

Source: Own processing

In table 12. we calculate how much it would cost us to purchase all the raw materials and materials needed for the estimated production:

**Table 12. The budget for the acquisition of basic materials**

<b>Indicators</b>	<b>Materials</b>							<b>Total</b>
	Fabric	Lining	Buttons	Thread	Label	Zipper	Reinforcement battelie	
The budgeted amount of materials needed to manufacture the budgeted product	62247.5	41378.75	117475	16701.25	124495	32975	4616.5	
Unit cost of materials	55	8	1	4	0.5	1	30	
<b>Value of direct materials used</b>	<b>3423612.5</b>	<b>331030</b>	<b>117475</b>	<b>66805</b>	<b>62247.5</b>	<b>32975</b>	<b>138495</b>	<b>4172640</b>

Source: Own processing

After the production level has been established, the direct labor budget can be calculated, for this we need the number of hours required to produce a unit of product, from each category, as well as the hourly rate and finally we can establish the amount of expenses with budgeted salaries. Summarized, we present the information in table 13.:

**Table 13. The direct labor budget**

Products' name	Production volume	Unit time (man-hours)	Total time (man-hours)	Rate per hour (lei)	The total budgeted salary
Men's jackets	10300	16	164800	7.30	1203040
Women's jackets	5675	18	102150	7.10	725265
Men's trousers	9550	14	133700	6.70	895790
Women's trousers	10825	14	151550	6.50	985075
Women's skirts	12600	10	126000	5.90	743400
<b>Total</b>			<b>678200</b>		<b>4552570</b>

Source: Own processing

We will move on to drawing up the budget of indirect production costs, the data being presented in table 14.:

**Table 14. The indirect production cost budget for the total hours required to manufacture the product**

Indirect production costs	Amount (lei)
<b>Total indirect variable production costs:</b>	<b>8083518.97</b>
1. Raw material expenses	5917187.50
2. Expenses with auxiliary materials	569000.00
3. Direct energy costs	1040000.00
4. Salary expenses	549798.24
5. Depreciation expenses	333.23
6. Rent expenses	7200.00
<b>Total indirect fixed production costs:</b>	<b>81969.69</b>
1. The salary of the workers who service the production equipment	38343.75
2. Other indirect expenses	3030.00
3. Indirect electricity costs	7200.00
4. Costs allocated from the maintenance and repair department	33395.94
<b>Total indirect production costs</b>	<b>8165488.66</b>

Source: Own processing

Because we have calculated, according to table 13. the total number of hours required for the manufacture of all estimated finished products - 678,200 hours - and in table 14. the total indirect production costs - 8,165,488.66 lei - we can find out the rate of the indirect production cost  $\frac{man}{hour}$ , calculated as follow:

$$Rate \frac{man}{hour} = \frac{8165488,66 \text{ lei}}{678200 \text{ hours}} = 12,04 \text{ lei/hour}.$$

After all these stages, the total production cost budget was drawn up, suggestively presented in table 15.:

**Table 15. Total production cost budget**

Products' name	Production volume (units)	Unit cost (lei)	Total cost (lei)
Men's jackets	10300	154.81	1594543
Women's jackets	5675	151.8	861465
Men's trousers	9550	103.4	987470
Women's trousers	10825	97.55	1055978.75
Women's skirts	12600	58.33	734958
<b>Total</b>	<b>48950</b>		<b>5234414.75</b>

Own processing

If at the beginning of this chapter we developed the budget for the stock of products and materials that we will use at the beginning of the year, we present in table 16. the budget for the stock of products and materials at the end of next year for which the budget was made:

**Table 16. The budget for the stock of products and materials at the end of next year**

Stock name	Unit of measurement	The quantity	Cost/piece(lei)	Stock value (lei)
<b>Materials:</b>				
Fabric	M	9500	55	522500
Lining	M	6800	8	54400
Thread	M	5500	1	5500
Buttons	Pieces	7200	4	28800
Zipper	Pieces	9800	0.5	4900
Label	Pieces	4800	1	4800
Reinforcement battelle	M	2500	30	75000
<b>Total materials</b>		<b>X</b>	<b>X</b>	<b>695900</b>
<b>Products:</b>				
Men's jackets	Pieces	9000	154.81	1393290
Women's jackets	Pieces	3750	151.8	569250
Men's trousers	Pieces	9800	103.4	1013320
Women's trousers	Pieces	7900	97.55	770645
Women's skirts	Pieces	5500	58.33	320815
<b>Total products</b>		<b>X</b>	<b>X</b>	<b>4067320</b>
<b>Total stocks</b>		<b>X</b>	<b>X</b>	<b>4763220</b>

Source: Own processing

We also calculate how much it costs us to produce the amount of products we estimated, the data being presented in table 17.:

**Table 17. Cost of sales budget**

Products' name	Production volume (units)	Unit cost (lei)	Cost of total sales (lei)
Men's jackets	12500.00	154.81	1935125
Women's jackets	15625.00	151.8	2371875
Men's trousers	12500.00	103.4	1292500
Women's trousers	15625.00	97.55	1524218.75
Women's skirts	17500.00	58.33	1020775
<b>Total</b>			<b>8144493.75</b>

Source: Own processing

The last budget that we will prepare is the one that summarizes the estimated revenues and expenses and calculates the financial result obtained from the operational activity, the data being entered in table 18.:

**Table 18. The profit and loss budget**

No. crt.	Indicators	The Amount
1.	Revenue from sales	16933750.00
2.	Cost of sales	8144493.75
<b>3.</b>	<b>Gross profit</b>	<b>8789256.25</b>
4.	Administrative costs	41,585.43
<b>5.</b>	<b>The result from the operational activity</b>	<b>8747670.82</b>

Source: Own processing

The financial indicators that want to be achieved are presented in table 19.:

**Table 19. Budget of the expected gross result**

Indicators	Men's jackets	Women's jackets	Men's trousers	Women's trousers	Women's skirts
Devenue from sales	3,737,500.00	4,492,187.50	2,875,000.00	3,414,062.50	2,415,000.00
Cost of sales	1,942,156.13	2,380,670.16	1,299,506.13	1,533,032.66	1,030,673.58
The gross result	1,795,343.87	2,111,517.34	1,575,493.87	1,881,029.84	1,384,326.42
Return on sales	48.04	47.00	54.80	55.10	57.32

Source: Own processing

It can be seen that a greater demand is expected for the product Women's jacket, it registering the highest value of 4,492,187.50 lei, followed quite closely by the product Men's jacket.

In table 20, the return on sales was calculated for each individual product, for the current year, but also for the next year:

**Table 20. Return on sales**

Return on sales	Men's jackets	Women's jackets	Men's trousers	Women's trousers	Women's skirts
Estimated values	48.04	47.00	54.80	55.10	57.32
Recorded values	39.38	38.16	46.90	47.17	49.08

Source: Own processing

The return on sales indicator could not be analyzed alone, it must be analyzed in accordance with previous results to see if the activity is profitable or not. We can thus observe an estimated increase in the sales profitability indicator and thus know that our entity is on the right track. Every company of any size and proportions must constantly prove its workforce as well as its adaptation skills to face competition and economic and social changes. Precisely in this sense, it is necessary to recognize the very complex multi-level role of managerial accounting, both in financial and non-financial terms.

Investigating the economic reality requires moving from simple findings and accounting records to complex analysis and detailed knowledge of all the factors that influence the achievement of performance by the entity, in order to adopt the required regulatory measures. Carrying out the activity in an increasingly strong competitive environment requires the organization of a management accounting that meets the informational needs of managers.

For the most appropriate organization of management accounting and, in particular, of cost accounting and for the most accurate calculation of the production cost, the entity must apply the most efficient calculation method, or even a combination of calculation methods: classic and modern, in accordance with the particularities of technology and production organization, as well as with the requirements of efficient management.

It can be concluded that the main objective of managerial accounting consists in the analytical calculation of costs, this would be the first step towards achieving a competitive and efficient activity.

**VI. CONCLUSION**

This research aimed to examine how management accounting practices manage the consumption of resources in improving the competitive advantage of the activities of economic entities specific to the textile industry in Romania. The study is carried out at the Alfa entity and emphasizes how the implementation of management accounting practices can increase the entity's competitive advantage by comparing the cost of products before and after the adoption of management accounting practices. This study thus tries to demonstrate the importance of the use of management accounting practices and their role in making and substantiating decisions. The improvement of a cost accounting and calculation system envisages the introduction of changes that will lead to the provision of information related to costs, which will measure more precisely how the various cost objects (products, works, services, workshops, manufacturing sections) uses different amounts of the entity's resources.

Finally, we can state that management accounting is not limited to the accumulation of data related to resource consumption, it does not represent a support for building predictive models and evaluating the consequences of the actions undertaken, each economic entity establishing its need for internal information at a more or less analytical level, depending on the proposed objectives. Managerial accounting provides the information that managers need in the decision-making process, it quantifies and reports both financial and non-financial information, information that supports managers in making the most optimal and relevant decisions that will allow the achievement of the entity's goals.

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