

ACCOUNTING DIMENSIONS IN TOURISM AND PUBLIC SECTOR

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ABSTRACT

The sector of services is one of the broadest sectors in the modern economy, being constantly subject to the transformation of globalization, and tourism and public sector as integral parts of the sector, have a rather socio-economic impact on the development of a nation. In order to be able to identify rigorously the role of tourism and public alimentation in the national economy it is appreciated that it imprints on several plans such as: economic, social, cultural and political, the structure of the entities and the cultures of different countries. The accounting of the entities in tourism and public alimentation must be independent and capable of providing a complete picture of assets, equity and debt, and the management has a high contribution to valuing service activities.

KEYWORDS: *tourism, public alimentation, economic entity, social accounting, financial decision, performance.*

JEL CODE: M41

1.INTRODUCTION

The article's approach deals with issues related to the accounting of the entities in tourism and public alimentation sector. Over the course of the paper the legislative and normative framework for organizing the accounting of the entities in tourism and public alimentation sector, the architecture and the particularities of the financial-accounting information system, the harmonization and normalization in accounting, the financial reporting and the external communication and the possibilities of capitalizing on the information provided by the accounting management and cost calculation for efficient management of entities, are highlighted.

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2. ACCOUNTING FOR ENTITIES IN TOURISM AND PUBLIC ALIMENTATION SECTOR - COMPONENT OF ACCOUNTING FOR REPORTING ENTITIES

The entities in tourism and public alimentation sector do, like other entities, cash or credit transactions as well as other economic and financial transactions called events of the transaction, such as: sale of goods or services (delivery / purchase), buying / purchase of goods or services, where both revenue and expenses contribute to the creation of the result; which, for practical reasons, is treated as an element that can influence the capital, in the sense that the increase in expenditures diminishes the result, thus, implicitly, also the equity, and the increase in revenues determines the increase of the result, therefore, of the equity.

All of these transactions are recorded in supporting documents and registered in the accounting system through accounts, with multiple functionalities: as assets, debts, equity, income, expense and result, that are found in financial statements as the balance sheet. After repealing Order no. 3055/2009, starting with 01.01.2015, according to OMFP no. 1802/2014 for the approval of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements, the place and the role of the balance sheet as „*synthetic accounting document disclosing the assets, liabilities and equity of the entity at the end of the financial year, as well as in the other situations provided by law*”, was taken by „the annual financial statements made up of the balance sheet, the profit and loss account, the statement of changes in equity, the cash flow statement; accounting policies and explanatory notes to the annual financial statements”¹. In this context, entities in the tertiary sector operating on this segment of public service provision, like tourism entities, need a dual appreciation from the consumer: from a quantity and quality point of view.

Reporting to a legislative and regulatory framework for organizational accounting of entities in general, implies focusing on strict adherence to rules that are about to regulate accounting activity. In this respect, from January 2015, it can be specified that the legal basis for the approval of the Accounting Regulations for the individual annual financial statements and the consolidated annual financial statements is given by **Order No.1802 of December 29, 2014**, which repealed, one by one:

- a) O.M.F.P. no. 3.055/2009 for the approval of Accounting Regulations compliant with European directives;
- b) O.M.F.P. no. 2.239/2011 to approve the Simplified Accounting System.

One of the representative changes to accounting regulations through O.M.F.P. no.1802 / 2014, consists in the adoption of new size criteria for those legal entities that apply the new accounting regulations.

According to these criteria, the entities are classified into three categories according to which the annual financial statements will be prepared, having different components, such

¹ ***OMFP No. 1802/2014 for the approval of the Accounting Regulations on Individual Annual Financial Statements and Consolidated Annual Financial Statements published in the Official Gazette of Romania No. 963 / 30.12.2014 of 29 December 2014, Section 21 General Provisions

as: „, micro entities, small entities, medium and large entities”.,, The annual financial statements drawn up by each of the three categories of entities (micro-entities / small entities / medium and large entities) must provide a true and fair view of the assets, equity, liabilities, financial position and profit or loss of the entity. If the applying the provisions of the accounting regulations approved by O.M.F.P. no. 1802/1414 is not sufficient to provide a true and fair view of the assets, liabilities, financial position and profit or loss of the entity, additional information is required in the explanatory notes to the financial statements to meet that requirement”.

3. ARCHITECTURE AND PARTICULARITIES OF THE FINANCIAL AND ACCOUNTING INFORMATION SYSTEM OF ENTITIES IN TOURISM AND PUBLIC ALIMENTATION SECTOR

Every day, we commonly use the word *information* without which there can be no professional communication or development.

Representative and current, the definition given by the lawmaker to the accounting in the updated Accounting Law no. 82/1991, by the vast content and particularities which it contains, can be considered as the starting point for establishing the infrastructure of the financial-accounting informational system.

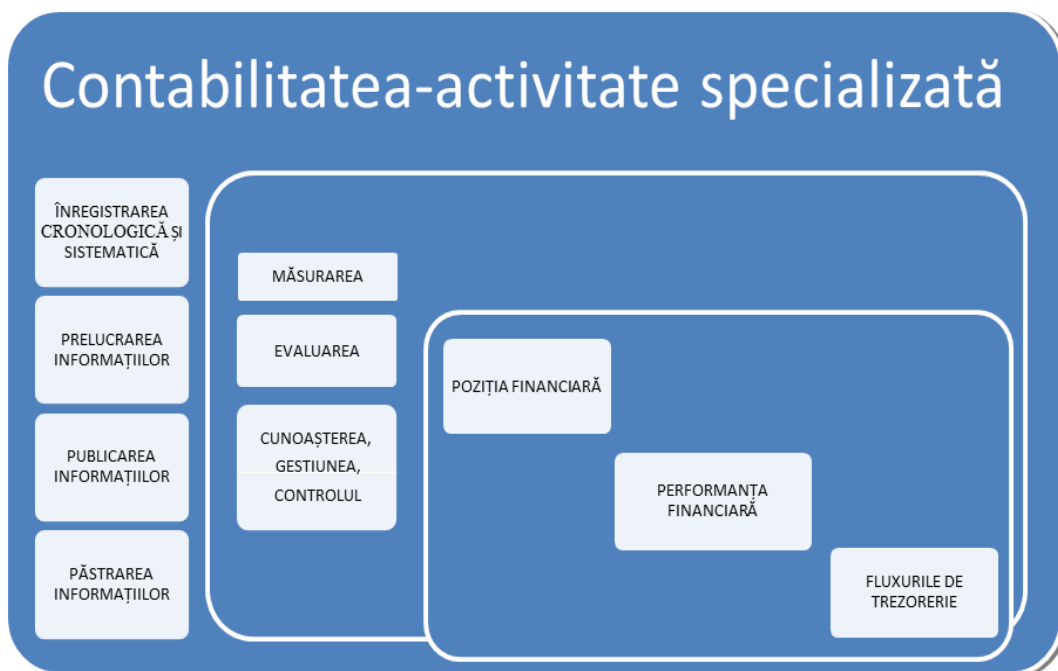


Figure 1. The definition of accounting - a starting point for establishing the infrastructure of the financial-accounting informational system.

(Source: own design after the accounting definition according to the updated Accounting Law no. 82/1991)

The financial and accounting information used by the entities in tourism and public alimentation sector presents the following characteristics:

- They have a regulatory character because they are used permanently when an economic activity is to be corrected;
- They are predominantly pro-active because they reflect in real time the processes and economic phenomena, for example, the development of purchasing;
- they are analytical because they carry out a thorough characterization of the activity carried out in the sector of tourism and public alimentation;
- they support economic development;

The financial-accounting information system is given by all the financial and accounting information available to an entity to measure performance.

Like the other information systems, the financial-accounting system is based on three components: **data** and / or information inputs, **processing** of sorting, organizing, mathematical-statistical calculations and **outputs** with outputs / purposes, illustrated in the figure below:

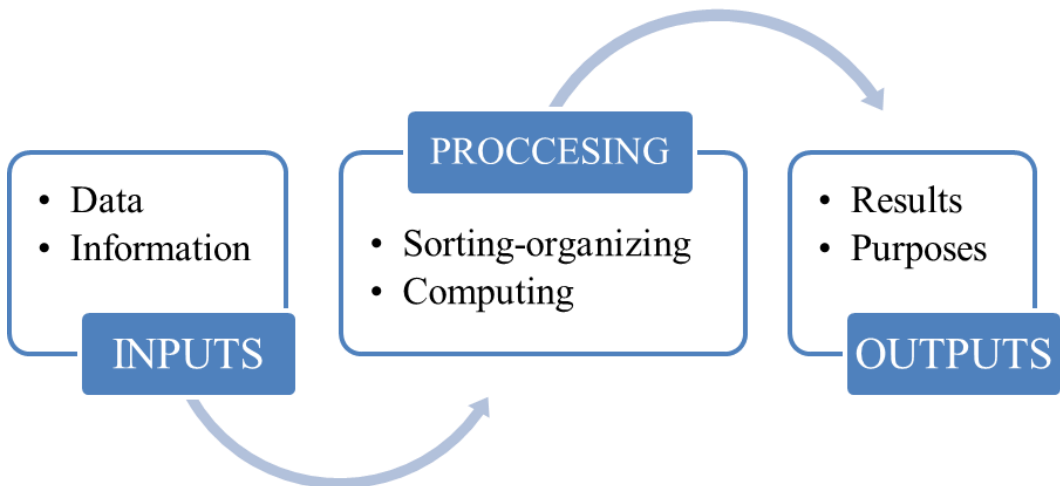


Figure 2. Components of the financial-accounting information system

(Source: own design)

As an activity sector of the national economy, tourism and public alimentation is represented by all services and goods, which are found in other sectors, ensuring the connection between suppliers and tourists by invoicing the services they require.

The palette of activities of entities in the tourism and public alimentation sector is a very diverse one, consisting mainly of *service provision* (PS), which can be grouped into primary service (PSP) and secondary services (P.S.S.) as follows:

P.S.P.1.- provision of services related to domestic tourism, organized by tourism agencies;

P.S.P.2.- provision of services related to the tourist accommodation activity, including accommodation / hotel activity, by hotels, motels, inns, tourist villas, cottages;

P.S.P.3.- provision of services consisting in the transport of persons by their own means of transport;

P.S.P.4.- provision of services relating to the production of confectionery and pastry-making laboratories and food production including, among other things: bakery products and those resulting from the processing of meat;

P.S.S.1.- provision of complementary services offered to tourists, which include postal services, hairdressing, laundry, cleaning, spa and treatment ¹;

P.S.S.2.- the activity of selling the goods at the retail price specific to public alimentation.

The particularities of the financial-accounting informational system, directly influence the organization of accounting, as follows: all the services rendered to the tourist at a place, accommodation, meal, transport, treatment, visits, form the "touristic product" ².

The achievement of the touristic product from the accounting point of view is important in highlighting the revenues and expenditures by activity, by types of tourist services, offering the possibility of their determination and analysis. The services provided to the tourist form the touristic activity which is entrusted to a travel agent who is responsible for its realization in terms of efficiency. In this sense, the travel agent operates with various values, such as money, travel tickets, checks, for which he becomes a debtor. When the values received are justified, it ceases to be the debtor and, at the same time, ends the touristic action. Based on the supporting documents retained during the trip, the travel agent will record the expenses after the end of the touristic action. In the practice of tourism services, such actions are numerous, so it is necessary to track the expenditures on each side using the technical-operative records.

4. FINANCIAL REPORTING AND EXTERNAL COMMUNICATION, INFORMATIONAL VALENCES OF FINANCIAL REPORTS PREPARED BY ENTITIES IN TOURISM AND PUBLIC ALIMENTATION SECTOR

Over the last twenty years, the synthetic accounting documents of reporting entities have undergone a number of important changes in form, structure, content, and quality.

In order for the accounting information to be available to users it is necessary to observe the qualitative characteristics provided by the financial statements, as it can be seen in the table below:

¹ Minciu.,R., *Economia turismului*, Publishing House Uranus,Bucharest, 2000, p.215

²Stăncioiu, A-F, *Dicționarului de terminologie turistică, Parafrazarea definiției produsului turistic*, Publishing House Economică Bucharest, 1999, p.161

Table 1 - The qualitative characteristics of the information provided by the financial statements and their meaning

Qualitative characteristics of information provided by financial statements	Their meaning in short
Understanding	How easy it is to understand
Relevance	Significance Major
Credibility	Not risky Sincere
Neutrality of information	Objective
Prudence	Cautious
Completeness	Reasonable According to standards
Comparability	Measurable

(Source: own design, after IFRS)

In order to compare the qualitative characteristics of the financial information according to the current regulations contained in the OMFP no.1802 / 2014, with the above, table 2) was made, in order to demonstrate the mix between the Romanian legislation and the European standards.

Table 2 - Qualitative characteristics of financial information

Qualitative characteristics of financial information	Their meaning in short
Relevance	Usefulness when making decisions
Exact representation	Complete and reasonable
Comparability	Consistency in establishing similarities and / differences
Verifiable	Information Utility Amplifier
Opportunity	Information Utility Amplifier
Understanding	Ease of understanding financial information

(Source: own design, after section 2.3 regarding the qualitative characteristics of financial information, set by OMFP no.1802/2014)

If the qualitative characteristics of the information provided by the financial statements are not met, financial imbalances may occur, high costs and limitations that lead to the loss of relevance of the information, for example.

From the analysis of many financial statements specific to entities in tourism and public alimentation sector, it was found that:

- ✓ the accounting information needs to be made available to decision-makers who, while respecting the principle of transparency of information, publish their financial statements;
- ✓ financial reports and, implicitly, accounting in Romania are carried out and reported in Romanian and in local currency (lei);
- ✓ transactions denominated in foreign currency are recorded in accounting, both in national currency and in foreign currency.

Economic entities and, implicitly, all legal entities must apply accounting rules according to European directives, and professionally prepared financial statements are able to provide the necessary information regarding:

- the financial status of the entity;
- its performance;
- cash flow.

In this context, it is mandatory to make the annual financial statements:

- a) the balance sheet;
- b) Profit and loss account;
- c) the statements regarding changes in equity;
- d) the cash flow statement;
- e) accounting policies¹ and explanatory notes, relevant for each economic entity as users.

In accordance with the provisions of Article 1 paragraph (2) of the Annex containing the accounting regulations for the individual annual financial statements and the consolidated annual financial statements of *O.M.F.P no. 1802/2014 for the approval of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements*, these "partially transpose the provisions of Directive 2013/34 / EU of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reporting of certain types of undertakings, amending Directive 2006/43 / EC of the European Parliament and of the Council; repealing Council Directives 78/660 / EEC and 83/349 / EEC, published in the Official Journal of the European Union no. L 182 of 29 June 2013."², because as of January 1, 2015 Romanian simplified accounting system was replaced by the European system of simplified financial reporting.

Usually, the individual financial statements at the end of the year, of tourism and public alimentation companies, are reported at the end of the previous year and the end of the current year; they are comprised of 29 notes prepared under IFRS, as they have been endorsed by the European Union, separately for each situation, as follows:

- ., Overall result"³
- ., Statement of financial position"⁴
- ., Statement of changes in equity"⁵
- ., The cash flow statement"⁶
- ., Notes to the annual individual financial statements."⁷

¹ International Financial Reporting Standards (IFRS) 2015, International Financial Reporting Standards Board (IASB), CECCAR translation, - 2 volumes, Bucharest, 2015, Part A

²***OMFP No. 1802/2014 for the approval of the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements published in the Official Gazette, No. 963 / 30.12.2014

³ Statement of comprehensive income, Part One of the Financial Statements for the year ended

⁴ Statement of Financial Position, Part Two of the Financial Statements for the Financial Year Ended

⁵ Statement of Changes in Equity, Part Three of the Financial Statements for the Financial Year Ended

⁶Statement of Cash Flows Part Four of the Financial Statements for the Financial Year Ended

⁷Notes to the individual financial statements, the last part of the financial statements for the financial year ended

Thus, in the notes to the individual financial statements, large entities in tourism and alimentation can produce and synthesize accounting policies. In this context, the most commonly used IASs and IFRSs are presented in Table 3, along with the changes made to the accounting policies contained in "Note 2 - Significant Accounting Policies".

Table 3 - Presentation of IAS / IFRS and implicit changes to accounting policies

Symbol IAS/ IFRS	Name IAS/IFRS	Implicit changes to accounting policies
IAS 1	Presenting financial statements	Structure, content of financial statements and mandatory posts
IAS 2	Stocks	Definition of accounting treatment applicable to stocks in the historical cost system: valuation (first entered - first out, weighted average cost and net realizable value) and permissible cost perimeter
IAS 7	Statements of cash flow	Analysis of Treasury variations, categorized in three categories: operating flows, investment flows, financing flows
IAS 12	Income tax	Defining the accounting treatment of taxes on the result
IAS 16	Tangible assets	Accounting for assets, determination of their accounting value and principles for accounting for depreciation
IAS 18	Income	The Principles of Accounting for Income from Ordinary Activities (fair value principle, revenue sharing principle, service advancement percentage, asset exchange, etc.)
IAS 23	Borrowing costs	The definition of the accounting treatment of borrowing costs: the notion of qualifying asset, the arrangements for incorporating the cost of borrowing into the value of the qualifying assets
IAS 39	Financial Instruments: Recognition and Measurement, except for certain provisions relating to hedge accounting	Recognition and measurement principles for financial assets and liabilities, defining derivative financial instruments
IFRS 5	Fixed assets held for sale and discontinued operations	Defining an asset for trading and abandoning business, assessing these items
IFRS 13	Valuation at fair value	Defining the fair value, setting a framework for measuring fair value in a single IFRS, imposing fair value information disclosure

(Source: own design)

5. POSSIBILITIES FOR CAPITALIZING ON THE INFORMATION PROVIDED BY MANAGEMENT ACCOUNTING AND COSTING FOR EFFICIENT MANAGEMENT OF ENTITIES IN THE TOURISM AND PUBLIC ALIMENTATION SECTOR

In the literature, the phrase "*management accounting*"¹ is similar to the wider concept of managerial accounting because managers, because of their interest in business, are the first category of users who benefit from accounting.

It is used by accountants the term *internal accounting*, when referring to internal / analytical production process control (a term that has been taken from French accounting to express real cost knowledge) / exploitation (which refers to the costs incurred the current consumption of the factors of production: capital, nature, labor, information), none of these terms being wrong due to the fact that the professional accountants know best the specifics of the activity and the needs of each individual entity.

It is clear from the provisions of Article 1, paragraphs (1) and (6) of the updated Law no.82 / 1991, that there is a regulated relationship between the financial accounting and the management accounting - according to which "the patrimonial units must organize management accounting "as appropriate."²

Knowing the particularities of the management accounting, which are related to the specifics of the entities in tourism and public alimentation, the methods of calculating the costs and the applied information system, can present the objectives of the management accounting in the realization of the income and expenditure budgets by type of activities, like in figure no.3:

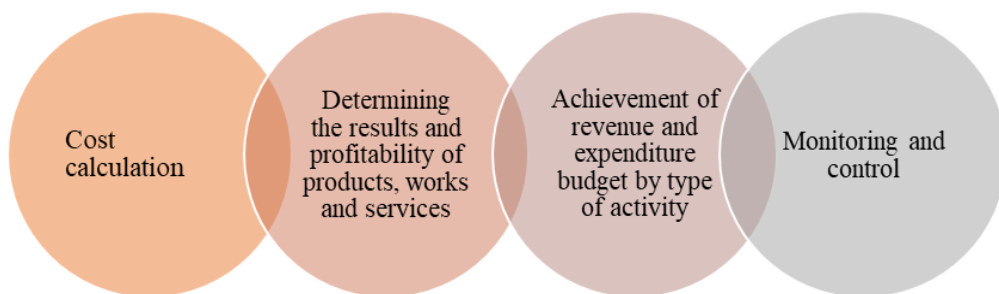


Figure 3. The objectives of management accounting

(Source: own design)

In other words, depending on the calculation of the cost of a product or service, its profitability can be determined by using the revenue and expenditure budgets by types of activities on the basis of, which one can monitor and control the whole financial and economic activity of the tourism and public alimentation entity.

¹Bouquin, H., *Comptabilite de gestion*, Publishing House Sirey, 1993, p.30

²*** Accounting Law no.82 / 1991, updated in Article 1. (1) and.(6)

In Article 1 paragraph (6) of the Accounting Law, 82/1991 updated in 2017, it is stated that "The persons mentioned in paragraph (1) - (4) of Article 1 of Accounting Law no.82 / 1991 shall organize and manage, as the case may be, the management accounting according to the regulations elaborated in this respect "without these regulations being specified in the text of the law.

Since the scope of management accounting is circumscribed by the way of recording operations relating to the collection and distribution of expenditure by destination, activity, section, production phase / production batch, production settlement, and calculation of the cost of production of the products manufactured goods, manufactured works and services, including production in progress, so the cost of production will be calculated with the help of analytical accounting , which, according to the accounting regulations harmonized with the 4th Directive of C.E.E.¹ and International Accounting Standards is determined by adding to the cost of acquisition of the raw materials and consumables used costs of the entity that are directly attributable to the production of that good.

Therefore, the cost of production is the total expenditure incurred by an entity in obtaining and disposing of its production over a given management period, just as the cost calculation is given by all the mathematical operations used to determine the cost of the entire activity, and also per unit of product , accomplished work and provided service, under the technical and organizational conditions of the economic entity ².

Financial and management accounting reflects the direct costs represented by the cost of raw materials, cost of electricity and fuel, wages and contributions of direct productive staff, and indirect costs related to occasional consumption, such as maintenance and operating costs.

More precisely, the sum of all direct (Ch.d) and indirect costs(Ch.i) results in the cost of production(Cp) and then the full cost of production (CCp) can be determined as: **Cost of production (Cp) + General Administration Expenditures (Cga) + Expenditure on sales (C.d).**

$$\text{Ch.d} + \text{Ch.i} = \text{C.p}; \quad \text{and} \quad \text{C.C.p} = \text{C.p} + \text{C.g.a.} + \text{C.d}$$

In order to show the independence of management accounting from financial accounting it is justified the fact that it is not by accident that the law maker has two ways to highlight consumption:

- in financial accounting, consumption is reflected in the 6th class expenditure accounts in correspondence with the 3rd class stocks in the plan of accounts;
- in the accounting of management, the accounts that help register costs of production and the calculation of costs, are included in the 9th grade of the plan of accounts and are called "accounts of management"³, these being in correspondence between each other, by taking over the operating expenses from

¹ ***Directiva a IV-a a Comunității Economice Europene

²Epuran M., Băbăiță V., Grosu C., Contabilitate și control de gestiune, Publishing House Economică, Bucharest, 1999, p.172

³*** *Account Plan, updated 2016, prepared in accordance with OMFP no.1802 / 2014*

the financial accounts (recorded by their nature), in order to register them according to their destination for the purpose of tracking and controlling the manufactured output, the production in progress, respectively the establishment of the differences of the actual and anticipated costs.

It is considered appropriate to credit the idea that since the application of the dualist accounting system to date, virtually everything that comes within the scope of accounting of management, leads to credibility and progress (see table 4 below):

Table 4. The evolution of accounting of management

The evolution of accounting of management in Romania was determined by:	The performance of the accounting of management at international level is due to:	Calculation of costs in tourism and public alimentation – methods
- Quality of the information of management accounting from this standardized and non-monetary area (expressed in natural standard: meters, kilograms, etc.)	-The implementation of the Fourth European Directive adopted in 1978, which refers to the rules of evaluation, the format of the published financial statements, the basic principle adopted, that of the true image of the patrimony	-Calculation of costs in tourism and public alimentation can be done by the Direct Costing method, the simplified version which determines the unitary cost of production and the absolutely necessary indicators for the decision making for the short-term management.
- Establishing the correct calculation of the cost of production including production under execution, according to the chosen calculation method	- Elaboration of the mainland inspirational accounting system by the Superior Council of the French Accounting Expert Order	- Using a Cost-Profit-Volume analysis leads to the cost evolution based on the relationship between cost, production volume and profit.
- How to manage accounting of management	- Applying International Accounts Norms / Normalization	-IAS 2/ IFRS 12.
- The particularities of the management system of internal accounts	- The Anglo-Saxon model, where financial statements represent the true image of the patrimony	
- Concerns of professional accountants and field-specific legislation	- Successful application of the Just in Time costing calculation method, since the 1960s. According to this method, only what is sold and exactly on time must be produced	
- The appearance of the Accounting Law no. 82/1991 and its Implementing Regulation approved by H.G. No. 704/1993. - Founding of C.E.C.A.R in 1994	- Working tools used: 1.I.A.S. – International Accounting Standards issued between 1973 and 2001 by the International Accounting Standards Committee (IASC); 2.,I.F.R.S.– International Financial Reporting Standards,	

	used in many countries of the world, including in the Member States of the European Union. Approximately 100 states require or allow the use of IFRS or have a policy of convergence towards them”; 3.I.S.A.– International Standards on Auditing.	
- Management accounting system has been provided since the publication of Order no. 1826/2003 and continues		
- Assistance and expertise of some U.E. member countries (France, Belgium, UK)		

(Source: own design of the authors study mentioned above)

For the efficient management of the entities in tourism and public alimentation sector it is necessary to know how to calculate the costs related to these service activities.

Thus, when calculating the cost, it starts from the price of resources of any kind used, which is paid by the person who bears the cost to obtain and maintain the quality of the services / products from tourism and public alimentation.

It is commendable the managers' concern about cost reductions and, implicitly, the efficiency of the activity, because resources have to be rationalized, identified, reorganized or eliminated, those centers that have a negative influence on the fixed costs compared to the variable ones, but also on the general expenses, which are often considered expenditures of the services support, in relation to direct costs.

In Romanian law it is mandatory to keep the accounting of management, but few are the decision-makers who apply it with good results in tourism and public alimentation sector, and many economic entities do not apply it. In our opinion, the calculation of the costs of tourism and public alimentation products and services can be made advantageous by applying the Direct-Costing Method, called *variable costing method*¹, which provides information to the production process about the relationship between the cost of production , its volume and the benefits generated, allowing easy control of the profitability of the products obtained.

Because it is known from practice that there is a large volume of data recording and processing in the analytical accounting of the entities in tourism and public alimentation, it is considered necessary to implement the Direct-Costing Method using computer programs, although there is a belief that only one method can completely solve both the problem of planning and tracking costs. The basis of the method is the principle of

¹ Călin, O., Man M., Nedelcu M.V., Contabilitate managerială, Publishing House Didactică și pedagogică, Bucharest, 2008, p.150

separating production and selling expenses into variable and fixed expenses, and when calculating the unit cost per product, only variable costs are taken into consideration.

Even if fixed costs are known and calculated, they diminish the entity's gross financial result because they are considered as expenses of the period, the purpose of the method is to cover the fixed costs of the large volume of sales of the period.

The realization of the optimization of the price - cost - volume correlation, related to the manufactured output, is expressed by the relation (1) below, in order to determine the economic - financial results.

If it is deducted from the sales revenue, from the turnover, the variable expenses are the gross contribution, considered as the preliminary financial result from which the fixed expenses are incurred.

$$(1) \quad \text{Financial result} = \text{C.A} - \text{Variable expenses} - \text{Fixed expenses}$$

$$\text{C.A} - \text{Variable expenses} = \text{Gross contribution} / \text{Preliminary financial result},$$

where:

C.A = turnover;

In the calculation of the cost of the product, the variable cost is taken into account in relation to the production volume, such as raw materials and direct materials, direct labor and variable indirect costs, and the administrative costs of the staff, the depreciation of fixed assets, with insurance premiums that "are the expression of a time function" ¹.

Outstanding authors who have approached the **Direct-Costing Method** in Management accounting, have shown that it differs significantly from other costing methods by "tracking the causal link between products and costs"² without ensuring the establishment of some responsibilities regarding the level reached by fixed expenses, while allowing a detailed analysis of production costs in order to make the entire activity of the entity more efficient.

From the literature studied, it is obvious that the main interest of the **Direct Costing Method** is the possibility of developing the activity on the basis of the information obtained through its continuous use, because the fixed expenses can be easily controlled and due to their predictability, it can be determined the way of coverage based on variable cost margins.

Foreign literature also deals with the hypotheses and the results of this method, which can be exploited in order to develop management models aimed at the profitability of the enterprise in the short term³, also in view of the difficulties encountered both in theory and in practice in distinguishing fixed expenses and variable ones.

In tourism and public alimentation sector, the share of fixed costs in the entity's total expenditure can be determined using the **Direct-Costing Method** by "identifying within

¹Tabără, N., Briciu, S. Actualități și perspective în contabilitate și control de gestiune, Publishing House TipoMoldova, Iași, 2012, p.104

² Cucui, I., Horga, V., Radu, M. Contabilitate de gestiune, Publishing House Niculescu, Bucharest, 2003, p.178

³ Boutat, A., Capraro, J.-M., *Comptabilité analytique de gestion*, PPUR, Lausanne, 2008, p.109

the fixed costs of that specific part that may be affected or distributed by product”¹, because wage costs are not always fixed, they depend on the current socio-political environment, they are changing, they are difficult to allocate, they depend on the volume of activity, on the evaluation of the employee's performance and on the receipts.

Using the **Direct-Costing Method**, the unit cost can be calculated according to the **relation (2)**: as the ratio between the variable costs and the quantity of products obtained:

$$(2) \quad C_u = \frac{CV}{Q}$$

where:

C_u = unit cost;

CV = total variable expenses;

Q = quantity of products obtained.

It will be tried, according to the bibliographic sources, to summarize the ability of the **Direct-Costing Method** to determine the correlation between fixed and variable costs, production, sales and profit, using the following indicators:

- the equilibrium point;
- coverage factor;
- the dynamic safety index;
- safety interval ².

Starting from the author's explanations in the paper: "Their costs and importance in controlling the company's management"³ the indicator:

- *the equilibrium point* represents the volume of activity in which the income obtained from the sale of production and total costs are in equilibrium, resulting in a null result, it is arrived at by calculating the relation (3) shown below:

In line with Professor I. Cucui's approach, which shows that any increase in sales volume above this level brings benefits, and a reduction in sales below this point produces losses, the formula of output at the point of equilibrium:

$$(3) \quad Q_{pe} = \frac{CF}{P_{vu}} - C_u, \quad \text{where:}$$

Q_{pe} = production volume at the equilibrium point;

P_{vu} = unit sales price;

C_u = unit cost;

CF = fixed expenses.

The processing of economic information resulting from the definition of the equilibrium point, highlights two other indices:

¹ Niculescu, M., Diagnostic global strategic, vol.1, Publishing House Economică, Bucharest, 2003, p.258

² Zaharciuc, E., Contabilitate de gestiune și control de gestiune, Publishing House Pro Universitaria, Bucharest, 2009, p.126

³ Cucui, I., Costurile și importanța lor în controlul gestiunii firmei, Publishing House Arves, Craiova, 2008, p.160

- *The safety interval*, calculated according to the relationship (4), reflects how much sales can decrease in order for the economic entity to reach the equilibrium point and can be determined as the difference between turnover and critical turnover.

$$(4) \quad I_s = CA - C_{ac} \quad \text{where:}$$

CA = turnover;

Cac = critical turnover.

- *The Dynamic Safety Index*, calculated according to the relationship (5), is the indicator that determines how much the turnover decreases so that the economic entity can reach the equilibrium point, representing the ratio between the safety interval and the total turnover.

$$(5) \quad I_d = \frac{I_s}{CA} \quad \text{where:}$$

I_s = safety interval;

CA = total turnover. In order to determine the percentage of the turnover needed to cover costs and obtain profit, another indicator is determined:

- *The coverage factor*, which represents the ratio between the variable cost margin and the total turnover, according to the relationship below:

$$(6) \quad F_a = \frac{C_v}{CA} \quad \text{where:}$$

C_v = variable cost margin; and CA = total turnover

In order to make optimal decisions regarding production, selling and obtaining profitability, the Direct Costing Method has seen a number of improvements:

- variable and fixed costs are separated and analyzed on the main economic processes;
- the separation of fixed costs from variable ones, due to variable costs that evolve in proportion to the increase in production volume and fixed costs that decrease;
- determining the gross contribution to profit, organizational levels and the inclusion of standards and spending budgets.

Based on these improvements to the method, several variants of the *Direct-Costing Method* were processed, a simpler and more comprehensive and another evolved one, based on standards and spending budgets. As it was natural, because the work of the professional accountant focuses on ways to make economic and financial activity more efficient, Figure 4 presents the advantages of the *Direct-Costing Method*:

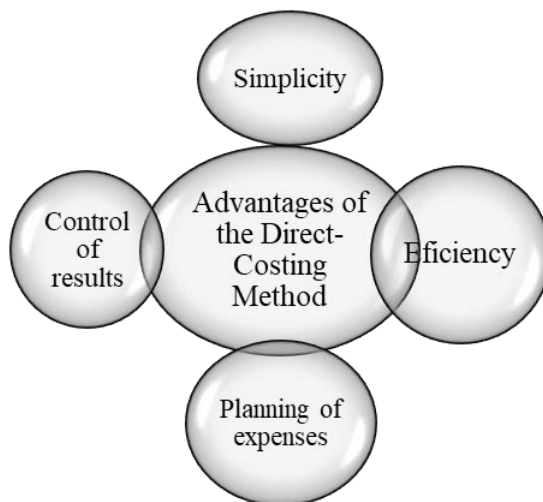


Figure 4. Advantages of the Direct-Costing Method

(Source: own design after Călin, O., Cârstea, Gh., in the paper: *Contabilitate de gestiune și calculația costurilor*, Publishing House Atlas Press, Bucharest, 2003, p.424)

Of course, all these extremely useful benefits without which the cost per product unit cannot be calculated on the basis of variable costs and gross contribution to profit, the *Direct-Costing Method* provides information to both entrepreneurs and professional accountants on the policy organization production, implicitly in the planning of total and fixed variable expenses, and systematic control of the results of the activity.

Direct-costing as a costing method allows for short-term analysis when the tourism and public alimentation entity is not in a position to change its production capacity level = planning expenses.

The calculation is simplified because only indirect variable costs are allocated = simplicity in obtaining the necessary information quickly.

Direct-Costing allows a better fit in the budgeted spending per product and service = planned control and highlights the most cost-effective products = expected results that drive the entity to economic efficiency.

6. CONCLUSIONS

This article brings to the attention of the reader the tourism and public alimentation sector, both as an economic and social manifestation of sustainable development and as part of the application of accounting. The repetition of tourism and public alimentation operations does not take into consideration accounting cycles, as they create unique difficulties in predicting revenue and operating costs, such as variable costs, such as cost of sales and labor costs that require single planning budget.

Measuring the increase of the relevance of financial and accounting information to the entities in the tourism and public alimentation sector through budgets, is another important subchapter for this research, because through their elaboration, the budgets plan

the achievement of the indicators needed to achieve the foreseen objectives, the results, without which a company cannot have a present and future.

Management control mediates and ensures increased economic efficiency and increased performance in entities in tourism and public alimentation sector. It is very important the way you determine the calculation of the fiscal accounting result and the production of accounting reports, with the help of the software so that the entity does not record delays and fines.

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