

The Importance of the ABC Costing Method for the Strategic Analysis of Public Passenger Transport

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Abstract: An economic entity in any field of activity in the world economy by its nature is a complex system centered on systemic principles. Thus, any reorganization project of an economic entity will always go from an existing economic entity. The approach taken to reorganize the economic entity will evolve as a process to be piloted. In this context, we can define the reorganization of an economic entity in the field of public transport as an operational process of activities. The ABC method stimulates the economic entity to become competitive and responsive to customer requirements, strategic elements obtained by the economic entity, or to target future strategic actions, anticipating the decisions to be made in this respect [1].

Key words: economy, indicators, costs, receipts, the ABC method, cost inductors

JEL Codes: D21, C61

Introduction

The ABC method is one of the newest strategic initiatives in the leadership of an economic entity. In the new global economic context offered by technological and organizational developments, traditional management methods can no longer provide the best elements for organizing and operating a performance management system. Traditional management methods have over time been criticizing that their continued use in an economic entity under the effect of inertia may create an obstacle to progress in improving performance.

A lot of researches to find modern cost-sharing methods tailored to information needs have led to the ABC method [2]. This method of recent decades aims at a new way of managing the basic activities of the economic entity, allowing better management of indirect costs in an economic entity in any field. In 1999, Peter

Druker explains in the paper "The Challenges of the 21st Century Management" that traditional calculation methods create distortions and affect the validity of the results obtained in an economic service entity. The costing method ABC supports traditional methods by directing management accounting to streamline indirect spending on activities. In an economic entity, the attention of finance management is directed to cost-generating activities, determining how resources and costs are affected [2]

The contribution of the ABC method to the economic entities of public transport of persons

Currently, modern costing methods are applied in advanced economic entities and require a strong management involvement in making economic decisions to improve activity and reduce costs. According to the ABC method, both operational staff and workers in the functional entities of the economic entity, are required to be involved in decision-making based on experience and practical skills [3]. The progress made in improving the production process has determined the traditionalist aspects of costing. In this respect, it was sought to improve the costing techniques by adapting some costing methods appropriate to the production process technology

The priority of the decision-maker is to control the economic operations on the costs and, implicitly, on the activity sectors. It is important that managers at all levels of the hierarchical pyramid follow the service offered on the market throughout their life within the economic entity. In order to increase the performance of the service, continuous work needs to be pursued. In an economic environment characterized by a large number of economic entities in the public transport of people, the ABC method provides an important contribution to complementing traditional costing methods [4].

Cost reduction - a prerequisite for increasing the performance of the economic entity of public transport

From an economic point of view, economic entities of public transport of people seek the use of advanced costing methods and strategic analysis to achieve remarkable performance. In this context, the economic entities in the field of public transport of people, adapt their economic evolution, constantly changing their main objectives and strategy. These changes led to the adaptation of cost allocation management tools, aiming to increase the performance of the economic entity. In order to meet the essential cost reduction

condition for increasing the performance of the public transport economic entity, the mechanism of the determining factors must be ensured, these [5]:

- The limited nature of the raw materials, materials, human and energy resources includes the reduction of production costs and material expenses, because in the process of activity of an economic entity a special role apart from the process of allocating and combining the raw materials resources, human and energy, it deals with the problem of their consumption, so it is important for each economic entity to calculate production costs and material expenses
- Labor productivity is one of the most important economic factors that influences the level of costs, as this is the ratio of production to work and the effect of labor productivity is measured by the final product (useful or unnecessary). The increase in labor productivity significantly influences the costs, both by the relative decrease of the salary expenditures and by their absolute reduction in the cost per product
- The client, represents the main objective of the new projects for the reorganization of the economic entities in the field of public transport, which try to answer by the quality of services rendered and acceptable tariffs, to its needs and requirements
- In an economic entity in any field of activity, substantial reduction of production costs is a fundamental option for increasing profitability, maximizing profit, which is the most important source of revenue accumulation. Reducing costs in an economic entity in any field of activity is a complex and complex issue, as the reduction in production costs must not affect the quality of the goods or services offered, which leads to the need to develop the research and design activity
- In an economic entity in any field of activity, substantial reduction of production costs is a fundamental option for increasing profitability, maximizing profit, which is the most important source of revenue accumulation. Reducing costs in an economic entity in any field of activity is a broad and complex issue, as reducing production costs must not affect the quality of goods or services, which leads to the need to develop research and design activity.

Concerning the significant reduction of costs in an economic entity of public transport, it is necessary to take account of the restructuring of the workforce and the activities at the resources of the economic entity; providing good quality services, according to market requirements; real-time bookkeeping through upgraded computerized systems to get a clear picture of costs on a daily basis [6]. It should be borne in mind that it is not

always possible to reduce costs, as there are situations when they may increase for certain periods of time from different causes [7].

Conclusions

The promotion of new calculation methods in the management accounting imposed the need for scientific research on how to manage accounting in economic entities in the field of public transport, as well as the possibility to apply modern methods of costing. The analysis of the way of organizing the accounting in the economic entities of public transport of persons is interesting and also useful as it is possible to identify both the practices of the specialists and the users of the information in this field and their opinion. Costing methods are essential tools for the operational control of resources consumed in the production process of an economic entity in the field of public passenger transport. The fundamental objective of this article is to implement the Activity-Based Costing (ABC) method to identify the usage information and its impact on the performance of economic entities in the field of public transport as follows:

- presentation of conceptual approaches regarding the method of calculating ABC costs;

- identifying the calculation methods used in economic entities for transporting people;
- Identify the impact of using costing methods on the performance of the economic entity for transporting people.

In order to argue the necessity of using the ABC method in the field of public transport, we proceeded on the one hand to the elaboration of a theoretical research by substantiating the specialized literature on the management accounting and the classification / ordering of the methods for calculating the costs and on the other hand proceeded to the introduction of a survey based on a questionnaire between quality data collection tools. In the economic entities of transport regardless of size or status (autonomous company or company), the impact of budgetary pressures and diversification of market demand has demonstrated the need for an accounting system for the organization and transmission of descriptive information for decision making strategic. The analysis of cost and revenue sharing methods implies an important role in the managerial decision-making process of increasing performance in an economic entity of public transport.

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