

ELEMENTS OF COST MANAGEMENT IN A COMMERCIAL COMPANY OPERATING IN THE FIELD OF FINANCIAL-ACCOUNTING CONSULTANCY AND FINANCIAL AUDIT

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ABSTRACT: *The declared vision of the benchmark company includes “becoming the preferred provider of accounting and tax consultancy services, recognised for quality, expertise, and commitment to clients’ success”, as well as medium- and long-term objectives aimed at strengthening its market position, expanding the range of services offered, and achieving geographic expansion. In this context, a robust and well-adapted cost management system is not merely an operational instrument, but also a strategic pillar. Accurate knowledge of the cost structure and the break-even point is essential for planning sustainable growth, while avoiding uncontrolled expansion that could erode profitability. The opening of a new physical office, as envisaged by the company, requires a detailed analysis of investment and operating costs, as well as a realistic projection of revenues, with cost-related information playing a crucial role in the decision-making process. Although price is not the only determining factor, efficient cost management enables the company to offer competitive fees while maintaining a high level of service quality. Moreover, a thorough understanding of costs allows the identification of areas in which additional value can be delivered to clients without generating disproportionate cost increases. In a dynamic business environment, the ability to rapidly assess the impact of legislative, technological, and market changes on costs and to adjust the company’s strategy accordingly is vital. Finally, a clear system for monitoring costs and profitability may form the basis of performance evaluation and incentive schemes, aligning individual interests with those of the company.*

KEY WORDS: *cost management, managerial accounting, operating expenses, decision-making’*

JEL CLASSIFICATIONS: *M41, M21, D24, M11.*

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1. INTRODUCTION

The main object of activity of the benchmark company, according to the CAEN code registered in the official documents, is CAEN 6920 – Accounting and financial audit activities; tax consultancy. This main activity includes a wide range of specialised services, such as the chronological and systematic recording of accounting documents, the preparation and certification of balance sheets and other financial statements, the provision of specialised assistance regarding the organisation and maintenance of accounting records, the development and implementation of accounting procedures and customised charts of accounts, the performance of economic and financial analyses, the provision of financial audit services (where specific authorisations exist), as well as tax consultancy services, including tax optimisation and assistance in relations with tax authorities.

In addition to its core activity, the company is authorised to carry out several secondary activities that complement and expand the range of services offered to clients. These include CAEN 7022 – Business and management consultancy activities, which involve providing consultancy, guidance, and operational assistance to companies and other organisations in areas such as strategic and organisational planning, reengineering processes, change management, cost reduction, financial management, marketing objectives and policies, and human resources strategies. The company is also authorised under CAEN 8299 – Other business support service activities not elsewhere classified, which may include a variety of support services necessary for the operation of other enterprises, tailored to clients' specific requirements.

Based on financial indicators, particularly turnover, and on the number of employees, the company falls within the category of micro-enterprises, in accordance with Romanian legislation. The company's target market primarily consists of small and medium-sized enterprises that require specialised accounting and tax consultancy services in order to manage their activities efficiently and to comply with legal requirements.

The complexity of economic life, the financial and economic crisis, as well as social and environmental challenges have led to an increased role of economic and financial information in the decision-making process. This highlights the fundamental importance of informed management, within which managerial accounting plays a crucial role.

For a company operating in the field of accounting expertise and tax consultancy, managerial accounting has a dual relevance.

Firstly, with regard to the internal management of the company's own activity, the identification, analysis, and control of operating costs, such as personnel expenses, rental costs, software expenses, marketing costs, and professional training expenses, are essential in order to ensure efficiency and profitability. A correct understanding of costs per service provided or per hour of consultancy allows the establishment of competitive pricing policies that cover expenses and generate profit.

The assessment of profitability across different service lines, such as accounting services, tax consultancy services, or management consultancy services, or even by major clients, may guide strategic decisions regarding resource allocation and the

development of the service portfolio. Decisions such as opening a new office, hiring additional staff, or investing in new technologies must be substantiated by solid cost–benefit analyses provided by managerial accounting.

Secondly, managerial accounting is relevant as a model of best practice transferable to clients. By the nature of its activity, the company provides consultancy and support to its clients, most of which are small and medium-sized enterprises, in managing their businesses. The rigorous application of managerial accounting principles within the company not only ensures its own success, but also strengthens its credibility and demonstrates the competence it can offer to clients.

Many small and medium-sized enterprises do not have the necessary resources or expertise to implement sophisticated managerial accounting systems. In this context, the company may play an active role in educating its clients regarding the importance of cost management and in offering tailored solutions aimed at improving their financial performance.

Consequently, managerial accounting is not merely an internal management tool for companies operating in this field, but also an intrinsic component of the value added delivered to the market. The efficiency of the company’s own management, based on relevant cost information, is directly reflected in the quality and relevance of the consultancy services provided to clients.

2. THEORETICAL FOUNDATIONS OF COST MANAGEMENT

In order to understand the applicability of cost management to this type of company, it is necessary to define the key concepts and functions of this field, as presented in the specialised literature and course materials.

Managerial accounting is the branch of accounting that provides economic and financial information, both monetary and non-monetary, intended primarily for internal users, namely managers at different hierarchical levels. Its main purpose is to support the decision-making process, strategic and operational planning, activity control, and performance evaluation. Consequently, managerial accounting represents a broader concept that involves professional knowledge and expertise not only in the preparation, but especially in the presentation of information required by management at various hierarchical levels. It also represents a communication system that classifies information regarding expenses and revenues from reports according to areas of responsibility assigned to managers and the functions performed by those managers.

In this context, cost management becomes an integrated and proactive process. It may be defined as a management system that uses cost calculation for a dual purpose: on the one hand, the collection, systematisation, analysis, and control of costs, and on the other hand, the formulation and transmission of information in the form of reports or dashboards required by company management for short- or long-term decision-making.

Cost management is not limited solely to cost reduction, but involves a profound understanding of cost-generating factors and their strategic management in order to improve value added and the overall performance of the enterprise.

The main functions of cost management are as follows:

- cost planning, which involves setting cost objectives, preparing revenue and expenditure budgets, and anticipating the resources required for the planned activities.
- cost recording, which consists of the collection, registration, and systematic classification of expenses, as well as their allocation to relevant cost objects.
- cost control, which entails comparing actual costs with planned or standard costs, identifying variances and their causes, and initiating corrective actions.
- communication of cost-related information, which involves transmitting relevant data and analyses to managers in order to support the decision-making process
- reporting of information, which refers to the structured presentation of cost-related information in the form of periodic reports, dashboards, or specific analytical documents.
- development of cost-related strategies, which involves using cost information to substantiate strategic decisions regarding pricing, the product or service portfolio, investments, or process optimisation.

Cost control is carried out through the periodic comparison (monthly or quarterly) of actual expenses with budgeted amounts.

Variance analysis is essential. For example, an overrun in personnel costs may indicate unplanned overtime or lower productivity, while higher-than-expected software expenses may reflect new acquisitions or subscription price increases.

An internal reporting system addressed to the company's administrator may be implemented, highlighting the main cost categories, their evolution over time, and deviations from the budget.

Cost control may also target resource efficiency, such as the number of clients managed per certified accountant or the average time allocated to closing monthly accounts.

3. IDENTIFICATION OF PREDOMINANT COST TYPES WITHIN THE BENCHMARK COMPANY

Given the company's object of activity, which is based on intellectual services, the predominant cost categories are the following:

- Personnel costs (direct and indirect labour) include the salaries of certified accountants and consultants who directly provide services to clients (treated as direct costs where working time can be allocated), as well as the salaries of administrative staff or management (treated as indirect costs). This category generally represents the most significant share of total costs.
- Indirect operating costs (overheads) include: premises-related expenses: rent, utilities (electricity, water, internet), maintenance; software and licence costs essential to accounting and consultancy activities; depreciation of IT equipment and office furniture; marketing and promotion expenses; professional training costs; other administrative expenses: office consumables, insurance, taxes.

Accurate cost information is fundamental for managerial decision-making within the benchmark company. Pricing decisions regarding monthly accounting service packages or hourly consultancy fees must be based on cost coverage and the achievement of a profit margin. Knowledge of costs is essential for decisions that have implications for the achievement of strategic objectives.

Decisions regarding the service portfolio may be guided by profitability analyses for each type of service, such as general accounting, specialised tax consultancy, or management consultancy. This may lead to a focus on more profitable services or to adjustments in pricing or processes for less profitable ones.

Make-or-buy decisions, although less frequent in service companies, may arise when deciding whether to hire an in-house specialist for a particular niche or to collaborate with an external expert. Resource allocation optimisation involves identifying the most costly processes or activities and seeking solutions to improve efficiency, such as automating repetitive tasks through software solutions.

Investment decisions, including the acquisition of new software, equipment, or marketing initiatives, as well as decisions regarding business expansion through the opening of a permanent office, must be supported by detailed analyses of expected costs and benefits.

4. GENERAL EVOLUTION AND ANALYSIS OF OPERATING EXPENSES

This section focuses on the analysis of the evolution, structure, and dynamics of the main categories of operating expenses of the benchmark company during the period 2020–2024. This analysis is essential in order to understand how the company has managed its resources over a period marked by growth and adaptation. The quantitative analysis of costs is based on financial data extracted from the company's trial balances for the financial years ended on 31 December 2020, 2021, 2022, 2023, and the projected year 2024. The analysis takes into account operating expenses, aggregated from Class 6 "Expenses" accounts, which are relevant for a service-providing company. These expenses were grouped into several main categories in order to facilitate analysis and interpretation.

The analysis followed, for each expense category and for total operating expenses, the evolution in absolute terms, the percentage structure, and the dynamics expressed as annual percentage changes compared to the previous year. An important methodological note must be highlighted. Based on the trial balances provided for the years 2020 and 2021, personnel expenses were not distinctly and separately recorded within the Class 6 account turnovers, as was the case for the years 2022, 2023, and 2024. It is possible that, for those earlier years, personnel costs were included in a more general category, such as "Other operating expenses", or aggregated differently. Consequently, a detailed analysis of the share and dynamics of personnel expenses is fully relevant and comparable only for the period 2022-2024.

This paragraph focuses on the analysis of the evolution, structure and dynamics of the company's main operating expense categories during the period 2020-2024. This analysis is essential to understand how the company managed its resources during a period of growth and adaptation. The quantitative cost analysis is based on

financial data extracted from the synthetic trial balances of the benchmark company for the fiscal years ended 31 December 2020, 2021, 2022, 2023 and 2024 (projected). Operating expenses, aggregated from class 6 accounts "Expenses", relevant for a service firm, were taken into account.

These have been grouped into the following main categories to facilitate analysis and interpretation: expenses on consumables and other stocks (group 60x) - includes expenses on low-value inventory items, office consumables, etc.; expenses for services performed by third parties (groups 61x and 62x) - includes a wide range of external services, such as maintenance and repair expenses, royalties, management locations and rents (if applicable for the headquarters), insurance premiums, studies and research (less likely for the company profile), protocol expenses, advertising and publicity, transportation, postal and telecommunications services, banking services, and, very importantly for an accounting firm, possible costs for software licenses, IT maintenance, external specialized consulting, etc.; personnel expenses (group 64x) - represents labor costs, including gross wages and related social contributions paid by the employer; depreciation expenses (account 6811 "Operating expenses for depreciation of fixed assets") - reflects the value consumption of tangible and intangible assets (IT equipment, software, furniture, etc.); other operating expenses - a heterogeneous category that may include expenses for other taxes, fees and similar payments (account 635), losses on receivables and sundry debtors, compensation, fines, penalties, donations (accounts in group 65x) and other operating expenses not found in the previous categories.

For each of these categories and for total operating expenses, the analysis aimed to: evolution in absolute terms - presentation of annual monetary value (lei); percentage structure - calculating the share of each expense category in total operating expenses for each year, to observe the relative importance of each; dynamics - calculation of the annual percentage change (compared to the previous year) for each expense category and for the total, to highlight the rate of growth or decrease.

Important methodological note: From the synthetic balances provided for the years 2020 and 2021, personnel expenses (account 641) were not highlighted distinctly and in detail in the class 6 turnovers, as was the case for the years 2022, 2023 and 2024. It is possible that for those years, these costs were included in a more general category (such as "Other operating expenses") or aggregated differently. Therefore, the detailed analysis of the share and dynamics of personnel expenses is fully relevant and comparable only for the period 2022-2024. Aggregate data and calculations regarding the evolution, structure and dynamics of operating expenses are presented in the tables below.

Expenses related to consumable materials and other inventories showed fluctuations over the analysed period. After a decrease in 2021, these expenses recorded moderate but constant annual increases in the subsequent years. However, their share in total operating expenses declined significantly over time. This evolution suggests that, although the volume of activity increased, the company's dependence on material consumables did not grow proportionally, indicating either improved efficiency in their use or a shift towards services requiring fewer direct material inputs.

Table 1. Evolution in absolute terms of the main categories of operating expenses at the benchmark company (2020-2024) – LEI

Category Expenses	2020 (Class 6 Run)	2021 (Class 6 Run)	2022 (Class 6 Run)	2023 (Class 6 Run)	2024 (Class 6 Run)
Expenses. with materials & consumables. (60x)	26,626.10	21,403.73	24,164.06	30,038.77	34,734.55
Expenses with third-party services (61x, 62x)	12,608.67	10,016.98	34,921.39	43,914.33	53,688.77
expenses (64x)	N/A*	N/A*	79,182.00	91,886.00	62,043.00
expense (6811)	4,929.30	4,929.35	3,358.98	2,797.02	3,051.30
Other operating expenses	33,772.60	56,659.89	31,889.96	61,363.08	87,898.62
TOTAL Operating Expenses	77,936.67	93,009.95	173,516.39	229,999.20	241,416.24

Note: Personnel expenses for 2020 and 2021 could not be separately isolated from the aggregated Class 6 turnover data provided.

Table 2. Percentage structure of operating expenses (2020-2024)

Category Expenses	2020	2021	2022	2023	2024 (P)
Expenses. with materials & consumables. (60x)	34.16%	23.01%	13.92%	13.06%	14.39%
Expenses with third-party services (61x, 62x)	16.18%	10.77%	20.12%	19.09%	22.24%
expenses (64x)	N/A	N/A	45.63%	39.95%	25.70%
expense (6811)	6.32%	5.30%	1.94%	1.22%	1.26%
Other operating expenses	43.34%	60.92%	18.38%	26.68%	36.41%
TOTAL Operating Expenses	100%	100%	100%	100%	100%

Table 3. Dynamics (% change) of operating expenses at the benchmark company (2021-2024) compared to the previous year

Category Expenses	2021/2020	2022/2021	2023/2022	2024/2023	Annual average of dynamics (2021-2024)
Expenses. with materials & consumables. (60x)	-19.61%	+12.90%	+24.31%	+15.56%	+8.29%
Expenses with third-party services (61x, 62x)	-20.56%	+248.62%	+25.46%	+22.26%	+68.95%
expenses (64x)	N/A	N/A	(Reference 2022)	+16.04%	-32.48% (Period 2023-2024)
expense (6811)	+0.00%	-31.86%	-16.73%	+9.09%	-9.88%
Other operating expenses	+67.76%	-43.71%	+92.42%	+43.24%	+39.93%
TOTAL Operating Expenses	+19.34%	+86.56%	+32.55%	+4.96%	+35.85%

Note: The annual average of the dynamics for personnel expenses is calculated only over the interval where there are directly comparable data.

Expenses related to services performed by third parties experienced a pronounced increase, particularly starting in 2022. After an initial decrease, these expenses registered a substantial rise, continuing to grow in the following years. Their increasing share in total operating expenses indicates a growing reliance on external services. This may reflect higher costs associated with advanced software licences, the outsourcing of support services such as IT or marketing, collaboration with external consultants for complex projects, or rental expenses where applicable. This category requires careful monitoring to ensure that the value added by external services justifies the associated costs.

Personnel expenses, for the period in which comparable data are available, represented the dominant cost category, which is typical for a professional services company. These expenses increased in correlation with changes in the number of employees and salary levels, followed by a projected significant decrease for 2024.

This projected reduction, in the context of continued revenue growth and increases in other cost categories, represents a critical point of analysis. It may indicate a major organisational restructuring, a shift towards external collaborators, a projection error, or a significant increase in productivity achieved with a reduced workforce. This discrepancy requires further investigation at company level.

Depreciation expenses remained relatively low throughout the analysed period and showed a declining trend in terms of their share in total operating expenses. This suggests either limited investment in new fixed assets or the fact that existing assets are nearing full depreciation, with only minor acquisitions projected for the later period.

Other operating expenses displayed significant volatility over the analysed period, with substantial increases in certain years and decreases in others. Given the heterogeneous nature of this category, interpretation is difficult without a detailed breakdown of its components. The notable increases observed in recent years should be investigated further in order to identify the underlying factors, such as taxes, fees, losses from receivables, marketing expenses, or other operational costs.

Overall, the benchmark company demonstrated a strong capacity for revenue growth, accompanied by a corresponding increase, and in some years an even more accelerated increase, in total operating expenses. This pattern is characteristic of companies undergoing expansion.

A transition can be observed from a higher relative importance of material-related expenses in the early years towards the dominance of personnel costs and a significant increase in the share of expenses related to services performed by third parties. This evolution may reflect the maturation of the business, increased specialisation, and the outsourcing of certain functions.

Despite the company's profitability, the efficiency of cost management would benefit from more detailed analysis, particularly with regard to the relationship between revenue growth and expense growth, as well as the evolution of profit margins. A more refined system of managerial accounting could provide valuable support for more informed strategic and operational decision-making.

5. CONCLUSION AND PROPOSALS

The total operating expenses of the benchmark company recorded a continuous and significant increase during the period 2020–2023, with an average annual growth rate that reflects the expansion of the company's activity. The most substantial increase was recorded in 2022, followed by another significant increase in 2023, while for 2024 a more moderate growth is projected. This general evolution is directly correlated with the increase in the company's turnover, indicating an expansion in the volume of activity and, implicitly, in the level of resources consumed. In certain years, the growth rate of operating expenses exceeded the growth rate of revenues, which may indicate the existence of investment phases or higher initial costs associated with business expansion. Such situations require careful monitoring in order to ensure that cost increases remain aligned with revenue-generating capacity and do not negatively affect long-term profitability.

The analysis by expense categories reveals several important aspects. Expenses related to consumable materials and other inventories fluctuated over the analysed period but declined significantly in relative importance within total operating expenses. This trend suggests a more efficient use of material resources or a shift towards services that require fewer direct material inputs. Expenses related to services performed by third parties increased substantially, becoming one of the most important cost categories in recent years. This evolution indicates a growing reliance on external services, which may include software licences, IT support, outsourced services, or collaboration with external consultants. Given their rapid growth, these expenses require particular attention from management in order to ensure that the benefits obtained justify the associated costs.

Personnel expenses, for the period in which detailed data are available, represented the dominant cost category, which is characteristic of companies operating in the professional services sector. The projected significant decrease in personnel expenses for 2024, in the context of increasing turnover and growth in other cost categories, represents a critical point of analysis. This development may indicate a major organisational restructuring, a transition towards external collaborators, or a potential inconsistency in projections, and therefore requires thorough examination at company level. Depreciation expenses maintained a relatively low and declining share in total operating expenses, suggesting either limited recent investment in fixed assets or the fact that existing assets are nearing full depreciation. Other operating expenses showed considerable volatility, making it necessary to analyse their internal structure in greater detail in order to identify the factors driving these fluctuations.

Overall, the company has demonstrated the ability to generate revenue growth while remaining profitable. However, there is significant potential for improving the efficiency of cost management, particularly through a more detailed allocation of indirect costs, the calculation of costs per service or per client, and the systematic use of budgeting and variance analysis. Based on the findings of the analysis, several proposals can be formulated in order to optimise cost management within the benchmark company:

- improvement of the cost information and reporting system, through the adoption of a consistent and detailed structure of analytical accounts that allows the clear identification and monitoring of all relevant cost categories, including a detailed breakdown of “Other operating expenses”;
- implementation of time-tracking systems for professional staff, allowing the allocation of working time to specific clients, projects, or types of services. This would enable the calculation of direct labour costs and, implicitly, the assessment of profitability at a granular level;
- strengthening of budgeting and budgetary control, by preparing detailed expenditure budgets based on strategic objectives and revenue forecasts, followed by systematic analysis of deviations between planned and actual costs and the prompt implementation of corrective measures;
- strategic management of third-party service costs, including periodic review of supplier contracts, negotiation of more favourable conditions, and continuous evaluation of the cost–benefit ratio of outsourced services;
- strategic management of personnel costs, by clarifying the staffing strategy for future periods, monitoring labour productivity, and aligning salary costs with the revenues generated per employee or consultant;
- investment in technology and professional development, through the continued acquisition of accounting, tax management, customer relationship management, and project management software, as well as through participation in specialised training programmes necessary to maintain a high level of professional competence;
- development of an organisational culture oriented towards efficiency, by promoting responsible use of resources and encouraging initiatives aimed at improving internal processes and reducing unnecessary costs.

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