The conciliation between the results of managerial accounting and the results of financial accounting

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Abstract—There are certain differences between the revenues and expenses/costs registered within managerial accounting and those registered within financial accounting, mainly referring to the fact (linked to) that within managerial accounting the result is formed exclusively on the market, therefore the revenues and expenses are being acknowledged at the moment of the sale, whereas within financial accounting there are certain resource consumptions which are being acknowledged as expenses sooner than the moment of sale of the products they refer to.

Therefore, it will certainly be necessary the implementation of some accounts within the financial accounting due to collect the resource consumptions before their acknowledgement as expenses if they occur before the moment of sale.

The managerial accounting system, as we have approached it within the present paper, allows acquiring information regarding the production cost of obtained products, and implicitly, of the sold products, hence within financial accounting one can dimension and register the value of acknowledged expenses along with the production achieved at the moment of sale. Nevertheless, even in terms of the existence of modern methods of expense acknowledgement, the value of the actual production cost of obtained products registered within financial accounting, is also being achieved within managerial accounting, but through postponing the acknowledgement of certain expenses one can achieve a result that is more near to the faithful image of the economic reality.

Until the Romanian regulating authority in accounting field changes the moment of expense acknowledgement, managerial accounting responds to all informational necessities regarding products' costs and their profitability, but the differences between managerial accounting and financial accounting are rather significant.

By organizing the economic entities into responsibility centers one offers a background for a more efficient usage of the economic results and also for performance stimulation.

Keywords—conciliation, financial accounting, financial result, managerial accounting.

I. Introduction

GENERALLY, *expenses* and *costs* are considered to be different concepts. In principle, professional literature defines cost as being the monetary expression of the expenses that economic entities accomplish by the allocation and consumption of production factors in order to produce their goods and services.

Consequently, we perceive cost as a sum of expenses. Moreover, not all expenses are included within production costs. An attempt to differentiate the notions of cost and expense has been presented within the paper entitled *Industrial Accounting*, whose author, I.N. Evian considers that an expense is "the value of goods consumed or lost for the enterprise or outside it" and that a cost implies "the values that are acknowledged when calculating the costs of goods consumed in the process of exploitation in order to obtain a product."

In the west-European accounting doctrine, cost represents "the algebra total of expenses corresponding to an element defined within an accounting network". The current accounting regulations in Romania establish the formation of production cost or that of processing stocks, including the production cost of tangibles, from direct expenses related to production, as well as production expenses directly related to the good: direct materials, power used for technology, direct labour and other direct production expenses, as well as the share of indirect production expenses rationally allotted as being connected to their production.[1]

Within the specialized literature, one can find the notion of cost defined as the monetary expression of the consumption of production factors, while the notion of expense implies to pay for the factors of production purchased by the entity.[2] The same idea is being sustained by Horia Cristea who states that the expense appears in the process of transferring products, services and utilities from the producer to the consumer (therefore, it appears in circulation) and that the expense is based on payment, which is further based on price/rate, and, thus, the expense becomes cost through consumption.[3]

Fig. 1 Terminology approach within international specialized literature

We do not entirely agree with this relationship and especially with the definition of the notion of expense. In our opinion, the expense appears as a result of the consumption of production factors, which is necessary in order to obtain final goods and services. Moreover, the payment must not be considered, at all costs, an expense. We consider valid the idea that the expense is based on payment, but we disdain the idea that the expense supposes paying for the factors of production purchased by the entity. On the other hand, we must admit that both in specialized literature, and also in practice one uses expressions like: I spent a sum of money for…, acquisition cost is equal to the total of expenses generated by the purchase activity, etc. We are the advocates of the following expression, in opposition with those above mentioned: we paid a sum of money for…, the acquisition cost is equal to the total of payments (immediate or subsequent) generated by the purchase activity, etc.

Consequently, the consumption of production factors generates a production expense, which will further be a component of the production cost, the cost being, therefore, an indicator used to centralize production expenses. The cost is the cumulated effort that the entity makes in order to obtain a certain effect, which can be expressed in physical units of measurement (the product) or in values (the revenues obtained by selling the product).

Consequently, in the Romanian accounting system one uses the theory according to which consumption generates expenses:

Fig. 2 Terminology approach within Romanian specialized literature

Therefore, we use the notion of expense in a limited manner, excluding the expenses that appear in the supply sphere, and including only those that appear in the sphere of production and sale, because only in these areas one can observe the consumption of production factors. In other words, in the specialized literature, the notion of expense is wider than the notion of production expense.

In many specialized papers, one can find the statement that the notion of expense is not synonymous with the notion of cost, and that cost is considered to be the expression of the consumption of the means of production and of labor (for oneself) in order to obtain a product, starting from the premise that resource consumption can only take place in the production sphere, and that cost is only a production cost, while the expenses appear in the purchasing or selling processes.[4]

In the Anglo-Saxon literature there is a consensus regarding the definition of cost. Therefore, cost is defined as a monetary indicator of the sacrifice made in order to obtain and to make available for the client certain products or services, the execution of a piece of work or of an activity. In the ***Anglo-***Saxon practice, sales are compared directly with the cost of products sold plus probable expenses not attributable to products considered to be covered by the sales of the period. These expenses not attributable, although expenses of the period are not classified as active element.[5]

In our opinion, through the consumption of production factors one can obtain certain goods or services, and the consumptions are considered expenses in the moment the goods and services achieved through the costs of sold production are being sold.

Therefore, in our opinion, the consumption of resources constitutes production costs, costs that are considered expenses only at the moment when the production is sold.[6]

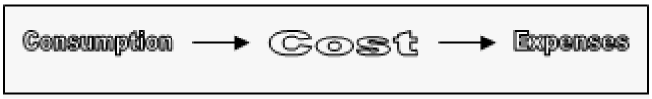

Fig. 3 Terminology approach from the authors' perspective

II. Controversies Regarding Expenses, Costs And The Moment Of Their Acknowledgement

Within the specialized literature there are certain issues concerning expenses and costs.[7,8] In our opinion, the expense appears when consuming the factors of production, a necessary process in order to obtain final goods and services. In other words, the expense is the expression of production factors' consumption. Although in order to particularly analyze the relationship consumption-expenses-revenues-result, the way it is perceived within economic practice, we can advance numerous questions.

1) **Do you consider necessary the exclusion of the accounts 711 "Variation in returns" 721 "Capitalized costs of intangible non-current assets", and 722 "Capitalized costs of tangible non-current assets" from financial accounting?**
2) **How do you evaluate the following phrase: The financial result is formed on the market? In other words, is the market the one to decide if a company is richer or poorer, and consequently must the result be accepted only in the moment of selling?**
3) **In your opinion, are there any differences between the concept of consumption and the notion of expense**?

III. MANAGERIAL ACCOUNTING OF CONSUMPTIONS, REVENUES AND RESULTS OF THE PROFITABILITY CENTERS IN TERMS OF USING THE STANDARD COST METHOD

For the Romanian economic entities, economic operations performed within the entities are registered within the financial accounting, according to the existent specific regulations and, at the same time, the operations regarding consumptions, revenues and results are registered within the managerial accounting. Consumptions become expenses at the moment of the sale/transfer of the obtained products, thus providing a strong connection between the expenses and revenues and, consequently, the achievement of a real result.

In what follows, we shall review the methods of registration within managerial accounting of the consumptions, revenues and economic results of an economic entity from the cosmetic industry, which is structured on responsibility centers.

A. The consumptions of profitability centers

We analyze the consumptions of responsibility centers in comparison with the type of the center in which they have been occasioned, as it follows:

1) Center of general and administrative expenses.
2) Center of auxiliary activity costs.
3) Level I profit centers.
4) Level II profit centers.

The center of general and administrative expenses consists of: the financial-accounting department, the human resources department, quality assurance and environmental protection department and the research department. Examples of consumptions registered within this responsibility center are: the salaries of the TESA staff and afferent salaries expenses; cost depreciation charge used within the center of general and administrative center; expenses with collaborators; banking commissions; financial expenses for contracted loans; protocol and sponsorship expenses; advertising expenses; material expenses of the responsibility center; expenses with services carried out for third persons which are assignable to the responsibility center; environmental protection expenses; labor protection expenses; shifting, detachments and transfers of the center's staff within the country or abroad; other expenses which are considered specific to the center of general and administrative expenses within the entity.

Regarding the occasioned consumptions within this responsibility center, we must specify that these will be discounted within the level I and level II profit centers, but firstly, only at budgetary level, presented within the center's budget and consented by the entity's board. If actual consumptions of the center are at a higher level than the budgetary level, we consider that an analysis must be performed in order to identify the causes that led to this exceeding, and if the consumptions are objective, at the level of profit centers, this exceeding should be discounted. If the exceeding is not justified, we consider that it should be directly discounted upon the financial result of the entity and of the center without influencing in a negative manner the performance of the other profit centers.

The accounting records within managerial accounting regarding general and administrative consumptions can be:

1) General and administrative consumptions record at budgetary level.
2) The exceeding of general and administrative consumptions as against the budgetary level.
3) Distribution of general budgeted consumptions at level I profit centers.
4) Distribution of general budgeted consumptions at level II profit centers.
5) Distribution of general consumptions exceeding at level I profit center .
6) Distribution of general consumptions exceeding at level II profit center .
7) The discount upon the center's financial result of the unjustified general consumptions exceeding and, therefore, undistributed at the level of profit centers.

The auxiliary activity of the analyzed entity from the cosmetics industry is represented by the heating of the level I profit centers. Therefore, we considered that this activity is developed within a cost center. It is possible for the auxiliary activity to be considered a component of the general and administrative expenses center. Establishing an approach method is an internal decisional problem of the economic entity. We decided to associate this activity to a cost center in order to ensure the entity's performance optimization and a supplementary motivation of the staff within this responsibility center.

The accounting records within managerial accounting regarding the cost center's consumptions with the auxiliary activity are:

1) Recording the budgetary consumptions devolving on the cost center's resource consumptions.
2) The exceeding of the cost center's consumptions in comparison with the budgetary level.
3) The discount of the services carried out to the level I profit centers, at budgetary level.
4) The discount of the services carried out to the level I profit centers, at budgetary level.
5) The discount of the services carried out to the level II profit centers, at budgetary level.
6) The discount of the exceeding allowed to the level II profit centers.
7) The discount upon the center's financial result of the unjustified general consumptions exceeding and, therefore, undistributed at the level of profit centers.

At **the level I profit centers** the consumptions are represented by the transfers received from other responsibility centers and by their own consumptions. Because within the level I profit centers there are more products that represent the object of the cost calculation, the profit center's consumptions are classified in indirect and direct consumptions. Direct consumptions are those that, at the moment of their performance, can be distinctly individualized upon the objects of cost evidence and calculation (achieved products). In exchange, indirect consumptions cannot be directly identified at the moment of their performance upon a product, but it contributes at the creation of several products. These expenses are indirect to the product but they are direct to the profit center that creates several products, following that, afterwards, through some distribution criteria, more or less subjective, to be introduced in the cost of the achieved products within the profit center.

The direct consumptions of the level I profit centers mainly consist of the following elements:

1) Consumptions with raw materials and direct consumables.
2) Consumptions with packaging.
3) Direct salaries, insurances and social protection.
4) Other direct consumptions.

Indirect consumptions consist of:

1) Expenses with the equipments' maintenance and functioning (current repair, maintenance of the profit center's equipments and means of transport, capital repair, and amortization of the equipment and means of transport, etc.) .
2) General consumptions of the profit center (consumptions of general interest, with indirect salaries, insurances and social protection afferent to the indirect salaries, cost depreciation charge used within the profit center (other than the amortization of the equipment and means of transport, previously mentioned), material consumptions and services of the profit center, which cannot be directly individualized at the level of products achieved within the profit center, etc.).

The main accounting records within the managerial accounting regarding the consumptions carried out within the level I profit centers are the following:

1) Recording the actual direct consumptions occasioned within the level I profit center.
2) Recording the actual direct consumptions occasioned within the level II profit center.
3) The distribution of indirect consumptions upon the cost of the products created within the profit center.
4) Recording the received services, at budgetary level, from the cost center of the auxiliary production.
5) Recording the exceeding allowed to the level I profit centers by the auxiliary production centers.
6) Recording the general administration consumptions, at budgetary level, afferent to the level I profit center.
7) Recording the exceeding of allowed general administration consumptions, afferent to the level I profit centers.

Level II profit centers receive the products from the level I profit centers in order to sell them to the entity's clients. Product transfer from the level I profit centers to the level II profit centers is achieved through transfer prices, negotiated in advance. Moreover, level II profit centers have consumptions of their own, direct or indirect, and consumptions which are discounted by the general and administrative expense center or by the cost center of auxiliary activity. Direct consumptions can be represented by the advertising expenses for a certain product, by direct salaries of the staff, including the afferent insurance and social protection. The indirect consumptions of the level II profit centers consist of expenses with equipment amortization, with indirect salaries, insurances and social protection afferent to the indirect salaries, material consumptions and services carried out by third persons that have an indirect character.

The main accounting records within the managerial accounting regarding the consumptions carried out within the level II profit centers are the following:

1) Recording the products received from the level I profit centers.
2) Recording of the actual direct consumptions carried out within the level II profit centers.
3) Recording the indirect consumptions of the level II profit center.
4) Recording the services received from the cost center of auxiliary production.
5) The discount of the exceeding allowed by the cost center of auxiliary production.
6) Recording the general administrative consumptions due to the level II profit center.

B. The achieved production and its cost

Generally speaking, the production achieved throughout a period of time consists of finished products, semi-finished products, residual products, unfinished production or fulfilled works and carried out services.

Regarding finished production, in order to be able to take economic-based decisions, the managerial board of the entity and of the responsibility centers must know relevant information concerning the costs, this being possible by answering to the following questions:

1) Which is the effective production cost and the deviation in comparison with standard or budgetary cost?
2) Which are the causes of deviations?
3) Which is the proportion of full production cost within the sold production?

The managerial accounting system that we built allows receiving the answers to these questions and providing other information useful to the board of the economic entity.

The problem that rises in every economic entity is the evaluation of the unfinished production. Unfinished production or in course of execution represents that part of production whose fabrication process is not finished, that occupies an intermediary position between raw material and finished product, if one doesn't obtain semi-finished products, or between raw material and semi-finished product, when one obtains semi-finished products. Also, the unfinished production can be represented by the finished production which is not yet checked and signed for, and for which there isn't drawn up the documentation for handing them over to the warehouse of finished products. In monetary expression, unfinished production consists of raw materials and consumed materials, including the semi-finished products, and also of the afferent salaries expenses. In some cases, the cost of unfinished production includes an indirect production expenses quota.

In order to evaluate the unfinished production one can use the following methods: the accounting or indirect method, the inventory taking method or direct method.

In what concerns us, by analyzing the specific of the activity developed within the entity from the cosmetics industry and the functioning process of the suggested system, we consider that the evaluation of unfinished production must be determined through the inventory taking method, at effective costs.

In what follows we shall briefly present the managerial accounting records regarding the achieved, finished and unfinished production within the level I profit centers:

1) Recording achieved production, evaluated at standard cost.
2) Recording the unfinished production, evaluated at effective cost.
3) The discount of effective consumptions afferent to achieved production.
4) Recording of price differences afferent to achieved production (differences between effective cost and standard cost).

C. The revenues of responsibility centers

Usually, at the center of administrative general expenses revenues must not be recorded, but in order to simplify the process, we introduce in this category the financial revenues and the extraordinary revenues which are afterwards directly recorded within the result of that certain center. At the cost centers of auxiliary production we consider that one does not record revenues. At level I profit centers revenues are mainly represented by revenues from the discounted production of the level II profit centers and by revenues from executed works and services carried out to third persons. At level II profit centers revenues consist of the value of production sold to third persons, of works executes for third persons and of carried out services.

If the economic entity realizes assets by themselves, whether tangible or intangible, in managerial accounting we do not recognize the *revenues from asset production*, as they appear in financial accounting because we do not recognize the consumption of afferent resources as expenses within managerial accounting. For these consumptions, within the responsibility center that benefits from the investment, one opens distinct accounts in order to keep evidence of the consumptions made throughout a certain period of time.

The main records within managerial accounting that keep evidence of revenues are:

1) **Within the center of general and administrative expenses**: Recording the financial revenues; Recording the extraordinary revenues; Recording other revenues of the responsibility center.
2) **Within level I profit centers:** Recording the revenues from the production discounted to the level II profit centers; Recording the revenues from executed works and services carried out to third persons by the profit center; Recording other revenues of the responsibility center.
3) **Within level II profit centers:** Recording the revenues from the production sold to third persons; Recording the revenues from executed works and services carried out to third persons by the profit center; Recording other revenues of the responsibility center.

D. The results of responsibility centers

We analyze the economic results separately for each responsibility center.

Therefore, within **the center of general and administrative expenses**, the expenses are represented by the resource consumptions realized over the budgeted level and which were not allowed to be discounted to the level I and II profit centers; in fact, the result of the center of general and administrative expenses is being constituted.

For **the cost center of auxiliary production**, the result appears and reflects loss only if the resource consumptions are realized over the budgeted level and if they were insufficiently substantiated in order to be accepted by the centers the services were carried out for; in fact, the result of the cost center concerning auxiliary activity is being constituted.

Within **the level I profit center**, the economic result consists of the sum of the results for the products realized within the center and discounted to the level II profit centers or sold directly to third persons. Also, one can add the result from the executed works and services carried out by the level I profit center to third persons

The result per product arises from the difference between the revenues obtained through the transfers made to the level II profit centers and the effective production costs, including the quota from the general administrative expenses which is not a part of the production cost. The accounting records that highlight the manner in which the economic results are being developed within the level I profit centers are:

1) Recording the revenues from the production discounted to the level I profit centers.
2) The transfer upon production costs of the expenses afferent to the transferred production (sold) to the level II profit centers (at standard cost).
3) The transfer upon full costs of general administrative expenses afferent to sold production.
4) Constituting the result per product within the level I profit center.
5) Closing other accounts of revenues obtained within the level I profit center.

For **the level II profit centers**, calculating the production cost does not raise any problems, but rather one comes against the problem of determining the profitability of sold products.

At the same time, given the fact that level I and II profit centers belong to the same economic entity, therefore they do not have distinct legal personality, it is important that the general board of the entity to know the full cost of the sold products.

The accounting records that highlight the manner in which the economic results are being developed within the level II profit centers are:

1) Recording the revenues from the production sold to third persons.
2) The transfer upon costs of the expenses carried out or received afferent to the sold production.
3) Closing the revenues accounts of the level II profit center.
4) Closing the expenses accounts of the level II profit center.

The financial analysis of performance is assessed in the specialized literature in terms of result, intended to disclose the company's economic and financial reality. The financial performance is seen as a stake in the company's internal and external relations, its partners being affected by their level and quality.[9]

E. Debates concerning the conciliation of the results of managerial accounting and the results of financial accounting

When using the managerial accounting system with the rules presented above, one can identify differences between the global result registered within financial accounting and the sum of partial results within responsibility centers, this results being determined through managerial accounting. The differences are caused by several factors:

1) Within managerial accounting the level of revenues is different from the level registered within financial accounting because the revenues from asset production and stock variation are not included.
2) Within managerial accounting, following the principle that the result is formed on the market, the expenses afferent to production (achieved but not sold) are not included when calculating the result, therefore, one cannot endorse the existence of an "unreal revenue", the 711 account "Stock variation", from financial accounting, to balance the result. Therefore, the production expenses that constitute the managerial accounting result are smaller than those registered within financial accounting.
3) On the other hand, the general administration expenses, registered in financial accounting within the expenses accounts in the period they started, are recognized as expenses within managerial accounting at the selling moment of the products previously achieved. If there are any unsold products in stock, the general administration expenses remain *on hold*, without influencing the result of that certain period. Therefore, the general administration expenses registered within financial accounting are bigger than those which form the result within managerial accounting, only when at the end of the period there are unsold products.
4) The expenses of auxiliary production are similarly treated with general administration expenses.

However in many companies from Romania, the management accounting does not yet fulfill the role for which there is. This is caused by lack of coherence between the general and detailed information, lack of relevant information to base selection decisions, management structure, including assigned responsibilities and clearly controlled. A useful and effective management accounting should be consistent with the structure of the Management.[10]

IV. Statistical research regarding the perception of cost, consumption and expenses in practitioners' vision

1) Do you consider necessary the exclusion of the accounts 711 "Variation in returns", 721 "Capitalized costs of intangible non-current assets", and 722 "Capitalized costs of tangible non-current assets" from financial accounting?

The role of this question is to identify the practitioners' perception regarding the usage of these particular accounts. These accounts exist in the Romanian accounting system (in financial accounting) due to the acknowledging moment of the expenses associated with the consumption of resources. Therefore, in our accounting system, expenses are in some cases acknowledged before the moment in which the revenues resulted from selling goods and services are acknowledged, fact that enforces the existence of these accounts of unreal revenues, how we decided to call them, which have only the role to maintain the balance in order to determine a correct result. We ought to also mention that in the Anglo-Saxon system these accounts do not exist as the expenses are acknowledged in the moment the goods are sold, when one can make a correct connection of expenses to the revenues obtained, and consequently the determination of a real result.

According to OMFP no. 3055/2009 – Accounting regulations in accordance with European Directives – the name of account 711 "Variation in returns" has been modified as it follows: 711 "Revenues associated to the costs of product stocks", and at the same time the account 712 "Revenues associated with the costs of services in work" has been introduced. We consider important to mention these changes because the questionnaire has been applied before the OMFP no. 3055/2009 – Accounting regulations in accordance with European Directives – became operative.

In the table and graph below we can observe the respondents' opinions concerning this aspect.

Table I: The necessity of eliminating the accounts 711, 721 and 722 from the financial accounting

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	175	77.4	77.4	77.4
	Yes	25	11.1	11.1	88.5
	I don't know	26	11.5	11.5	100.0
	Total	226	100.0	100.0	

More than 75% of the respondents appreciate that the elimination of these accounts is not necessary, while only 11% of them consider the opposite. Perhaps if we offered them the alternative in which we do not use these accounts, the answers might have been different. In a future research we shall approach this aspect because we consider that in future times these accounts will disappear from the Romanian accounting system as they mislead when financial analyses are made, and moreover, they distort the entities' performances. These accounts would be replaced by the so-called consumption accounts where one can register the consumption of production factors, and at the moment when production is obtained or, at the end of the month, with the help of the information provided by managerial accounting, these values are being transferred within the cost of the obtained production, respectively within the cost of the unfinished production. Consequently, the expenses are to be effectively acknowledged at the moment when the products or services are sold.

2) **How do you evaluate the following phrase: The financial result is formed on the market. In other words, is the market the one to decide if a company is richer or poorer, and consequently must the result be accepted exclusively in the moment of selling?**

This question comes to complement the opinion that revenues and expenses must be acknowledged at the same time, more exactly in the moment of selling. In the table below we can observe that only 58.6% of the respondents consider the statement as being correct, while 36% of them consider it incorrect.

As we have mentioned before, we consider that the market is the one to decide if one obtains profit or not. Therefore, only at the moment when we launch the product on the market for sale, we can acknowledge the expenses as an expression of the effort one makes, and the revenues as an expression of the obtained effect.

Table II: The moment the financial result is acknowledged

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Correct	130	57.5	58.6	58.6
	Incorrect	80	35.4	36.0	94.6
	Other opinion	12	5.3	5.4	100.0
	Total	222	98.2	100.0	
Missing	System	4	1.8		
Total		226	100.0		

3) **In your opinion, are there any differences between the concept of consumption and the notion of expense?**

The answers to this question reveal that the overwhelming majority of the respondents, namely 88.1%, make the difference between consumption and expense, or at least they declare that.

Table III: The relationship consumption-expense

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	20	8.8	8.8	8.8
	Yes	199	88.1	88.1	96.9
	I don't know	7	3.1	3.1	100.0
	Total	226	100.0	100.0	

V. Conclusion

The correlative situation of the three questions analyzed above is presented below. The answers we consider to be correct are the affirmative ones, at every one of the three questions. In our opinion, only 14 respondents have correctly answered to the three questions cumulated.

Approximately 40% of the respondents (88 entities) have affirmatively responded to two of the questions, but they consider unnecessary the exclusion of the accounts 711, 721 and 722. Also, there are 60 respondents that appreciate that the statement: *The result is formed on the market…* is incorrect, that the exclusion of the accounts 711, 721 and 722 is unnecessary, but they consider that there is a difference between the concept of consumption and the notion of expense.

Table IV: The correlative situation between consumption-expense, the moment of result acknowledgment and the necessity to eliminate the accounts 711, 721 and 722 from the financial accounting

In your opinion, are there any differences between the concept of consumption and the notion of expense?				How do you evaluate the following phrase: The financial result is formed on the market? In other words, is the market the one to decide if a company is richer or poorer, and consequently must the result be accepted only in the moment of selling?			
				Correct	Incorrect	Other opinion	Total
No	Do you consider necessary the exclusion of the accounts 711 and from financial accounting?	No	Count	9	5		14
			% within	64.3%	35.7%		100.0%
		Yes	Count	5	1		6
			% within	83.3%	16.7%		100.0%
		Total	Count	14	6		20
			% within	70.0%	30.0%		100.0%
Yes	Do you consider necessary the exclusion of the accounts 711 and from financial accounting?	No	Count	88	60	8	156
			% within	56.4%	38.5%	5.1%	100.0%
		Yes	Count	14	3	1	18
			% within	77.8%	16.7%	5.6%	100.0%
		I don't know	Count	10	9	2	21
			% within	47.6%	42.9%	9.5%	100.0%
		Total	Count	112	72	11	195
			% within	57.4%	36.9%	5.6%	100.0%
I don't know	Do you consider necessary the exclusion of the accounts 711 and from financial accounting?	No	Count	2	1	1	4
			% within	50.0%	25.0%	25.0%	100.0%
		I don't know	Count	2	1	0	3
			% within	66.7%	33.3%	.0%	100.0%
		Total	Count	4	2	1	7
			% within	57.1%	28.6%	14.3%	100.0%

Between the revenues and the expenses/costs registered within management accounting and those registered within financial accounting there are certain differences, especially related to the fact that within managerial accounting the result is formed exclusively on the market, so that revenues and expenses are acknowledged at the moment of their sale, while within financial accounting there are certain resource consumptions which are acknowledged as expenses before the moment the products they refer to are sold. Therefore, one can explain the existence within financial accounting of unreal revenues registered within the account 711 "Variation in revenues", which have the role to adjust the size of the result of financial accounting by covering some acknowledged expenses associated with some unsold products, for which there is not yet established a revenue.

The same situation appears when referring to resource consumptions in order to achieve intangible or tangible non-current assets by oneself that implies the existence within financial accounting of the accounts 721 "Capitalized costs of intangible non-current assets", and 722 "Capitalized costs of tangible non-current assets".

Furthermore, there are the so-called period expenses (general administrative expenses, sale expenses) that are acknowledged as expenses without having any connection with the products sold by the entity.

In our opinion, within financial accounting the financial result must be formed exclusively on the labor market which triggers the expense acknowledgement at the moment when the products are sold, thus at the moment of revenue acknowledgement. Therefore, one ensures the connection between expenses and revenues and the achievement of a correct global result by the real dimensioning of the expenses associated with the resource consumption and with the revenues achieved by capitalizing the products.

Thus, the accounts 711 "Variation in returns", 721 "Capitalized costs of intangible non-current assets", and 722 "Capitalized costs of tangible non-current assets" shall disappear from the financial accounting system.

Consequently, other accounts will definitely be needed within the financial accounting in order to collect the resource consumptions before acknowledging them as expenses in the case they take place before the moment of their sale.

In our opinion, the consumption of production factors generates a production expense, which further becomes a component of the production cost; consequently, the cost is an indicator that centralizes production expenses. The cost represents the cumulated effort that an entity makes in order to achieve a certain effect that can be expressed in physical units of measurement (the product), or in values (the revenues achieved by selling the product).

There still needs to be solved the issue of establishing the acknowledging moment of expenses, which in our opinion must be the same moment with that when the revenues are being acknowledged, namely the moment of the sale, as the market is the one supposed to establish the real result.

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