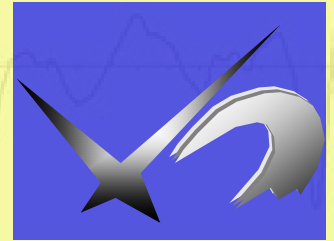
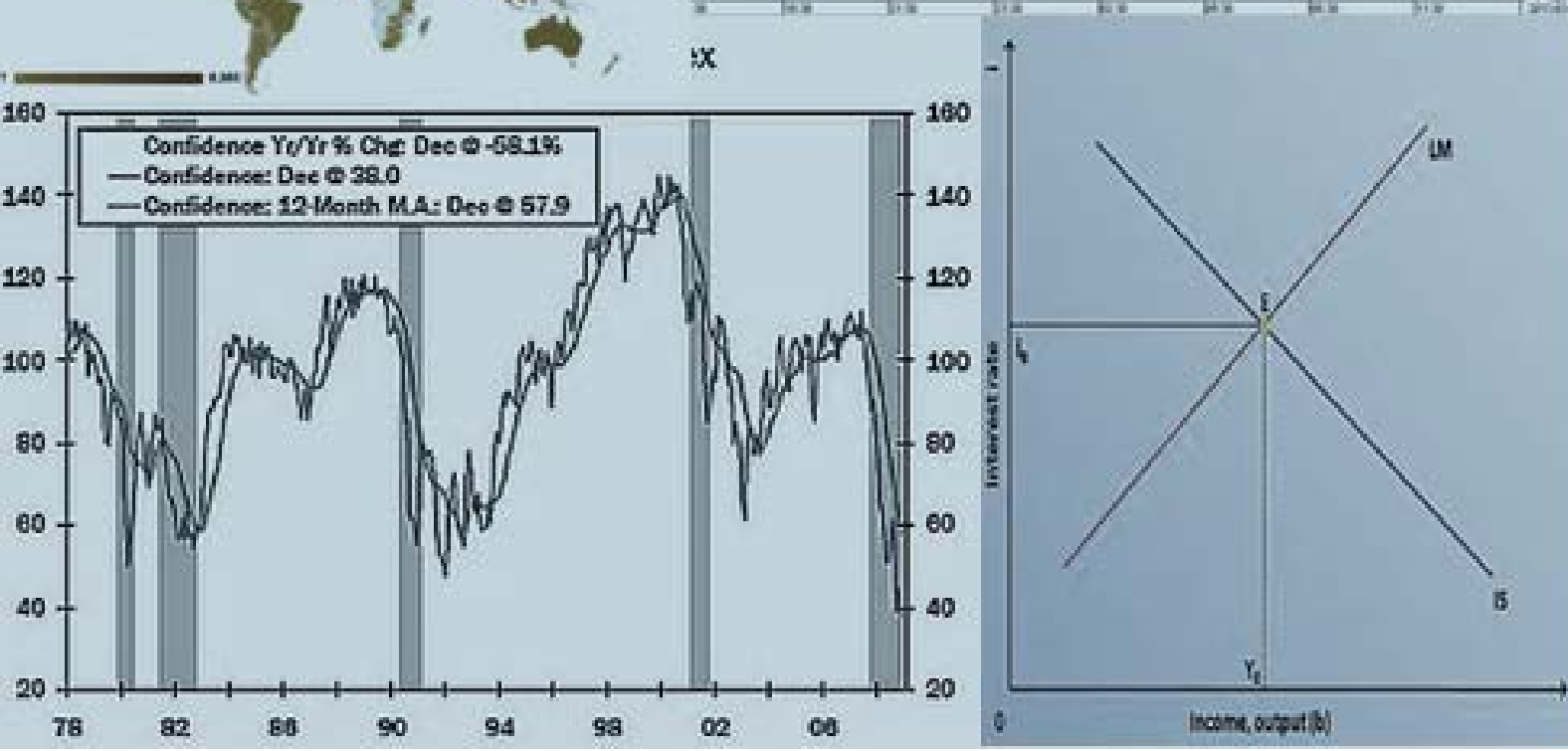


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RISK MANAGEMENT CONCEPT AND ITS BIBLIOMETRIC LINKS

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ABSTRACT: *The risk management is based on a series of laws and standards and represents one of the key components of an organization. Managing risks mean finding strategies, achieving goals and making informed decisions. Performing risk management, the companies can be prepared for uncertainty situation as well as possible, keeping the organization being less vulnerable and giving a measure plan to follow in case of something goes wrong. This paper presents aspects of risk management concept and the relationship between risk management system and internal control system.*

Keywords: *risk management, internal control system, process*

JEL Classification: *G32, M40, D81*

1. INTRODUCTION

Risk is the main source of uncertainty for investors, debtors, corporate managers and other stakeholders. It is important for all these stakeholders to focus on identifying and managing risk before decisions making. The success of their businesses depends on the relevance of their decisions and consequently on their ability to manage and deal with different types of risks.

Risks can have many and varied causes. For example, risk may be associated with the project being financed. Funders such as investors or banks try to assess the risk before they make the decision to invest or lend their money. If they do not have accurate information to assess the risk, they charge a high interest rate or rate of return to factor in some sort of additional premium to cover the "unassessed" risk due to the lack of accurate information. A situation where risk is not properly assessed and managed can distort fund providers' decisions. This can result in preference being given to applicants who submit unusually risky projects, to the detriment of those with reliable projects.

In other words, fund providers doesn't fund the "right" applicants and thus bear a significant risk of failure or insolvency. In this scenario, the interest rate is not an effective tool for selection in the investment or lending process. The increase in the interest or yield rate reflects the difficulty fund providers have in adequately selecting applicants and projects to finance. This increase can lead to a direct increase in the fund provider's income, but at the same time it can also exacerbate the likelihood of non-repayment (Rannou & Barneto, 2021).

Risk may also stem from information asymmetry between fund providers and managers of financing firms. More specifically, the manager's opportunistic behavior after receiving financing approval, known as asset substitution risk, may be the source of this risk.

2. RESEARCH METHODOLOGY

This paper contributes to the knowledge of the risk management concept and its relationship with internal control, materialized using a software tool for constructing and visualizing bibliometric networks.

The research methods used for the elaboration of this paper are: the literature review, the method of structuring the research, the documentation, data collection, information processing, the chronological study, construction, observation, visualization and analyse the bibliometric networks.

We used these methods by consulting specialized papers, various articles and publications, using international databases and software tool, as well as direct documentation that requires knowledge of the practical reality of a multinational company.

3. LITERATURE REVIEW

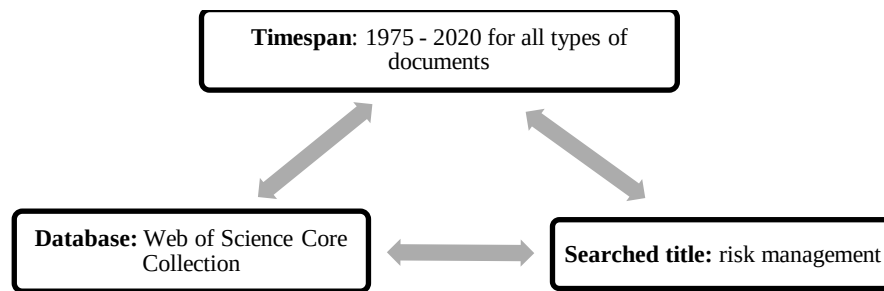
The meaning of risk depends on the nature of the risk, the goals and objectives to be achieved, the context in which the risk is defined, and whether the risk is favourable or unfavourable, and varies accordingly. However, a general definition of risk considers risk as the deviation from the expected outcome over time (Kallman, 2005).

Some researchers might say that risk has consistently been available in organizations and in this way, estimation and the management of risks has consistently been significant. Lately, because of the expanding internationalization of partnerships and the way that financial action is progressively subject to innovation, risk estimation and the executives has become basic in all organizations, paying attention to their area of movement.

The aftereffects of an organization are liable to chances emerging from the administration of its resources and the improvement of its business technique. All financial action, in any event, purchasing government obligation, is likely to chance since, as has as of late been illustrated, there is consistently a danger that the state can't pay its obligations or can't do as such in the time and way concurred at the hour of issue. Regardless of whether the obligations are paid in this time and way, a lot of significant worth can be lost (cash devaluation, out of control inflation, and so forth).

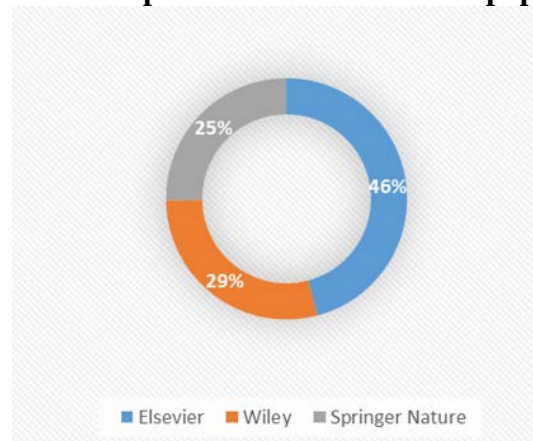
A favourable or positive risk can be viewed as an opportunity, while an unfavourable or negative risk can be viewed as a probability or threat of harm or damage. According to the business dictionary, an adverse risk can be defined as "the likelihood or threat of harm, injury, liability, loss, or other adverse event caused by external or internal vulnerabilities that can be avoided through preventive measures." In simpler terms, a positive risk could be called an "opportunity," while a negative risk could be called a "threat." Examples of an opportunity or positive risk are: a new venture, a favourable acquisition or merger (Hillson, 2001). Negative risks include: Fraud risk, business risk, control risk, liquidity risk, economic risk, political risk, risk of losing customers, and risk of losing qualified employees. Negative risks can be dangerous and costly. However, an integrated approach to managing both threats and opportunities can ensure that undesirable negative impacts are minimised while maximising the opportunities to take advantage of unexpected positive impacts. (Hillson, 2001)

In order to analyze the literature review related to risk management in the scientific environment, keywords from the abstracts of articles published on the Web of Science platform were examined using the VOSviewer software tool:

Figure 1. Search protocol – Web of Science

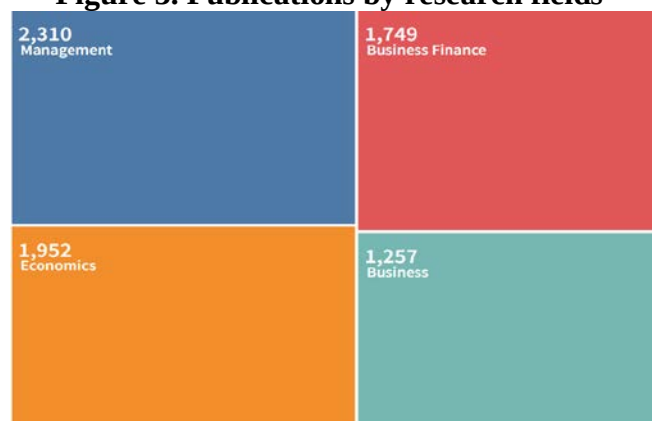
Source: Own processing based on Web of Science Group (clarivate.com)

Analyzing the following chart, we can observe that 5.100 papers (most of them being written in English) emerged from our search configuration, of which 2.648 reflected articles, overshadowed by 1.751 proceedings, the rest were found in the following categories: Early Access, Book Chapters, Review Articles, etc.

Figure 2. Main publishers with over 100 papers published

Source: Own processing based on Web of Science Group (clarivate.com)

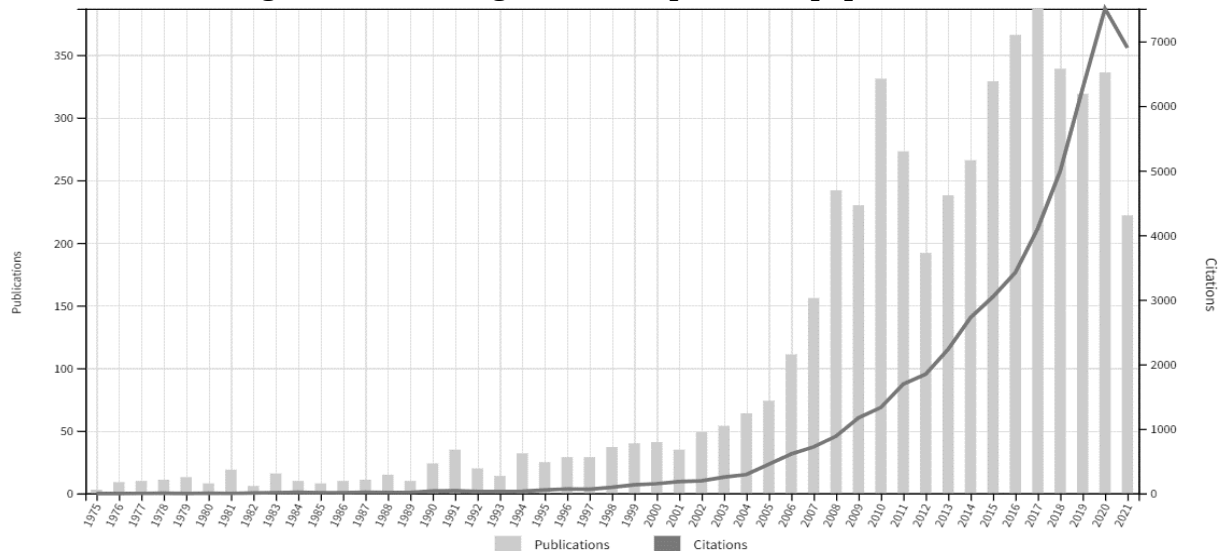
The examination of 5.100 publications from the Web of Science Core Collection revealed that the major publishers are Elsevier, Wiley and Springer Nature. If we analyze the profile of literature, we can find that there are a lot of studies on financial performance in many research areas, such as: Management, Business Economics, Business and Finance, etc.

Figure 3. Publications by research fields

Source: Own processing based on Web of Science Group (clarivate.com)

Analysing the following chart, we can observe that the number of publications had an upward trend until 2010 with 331 papers, followed by a significant decrease until 2017.

Figure 4. Chronological view of published papers and citations

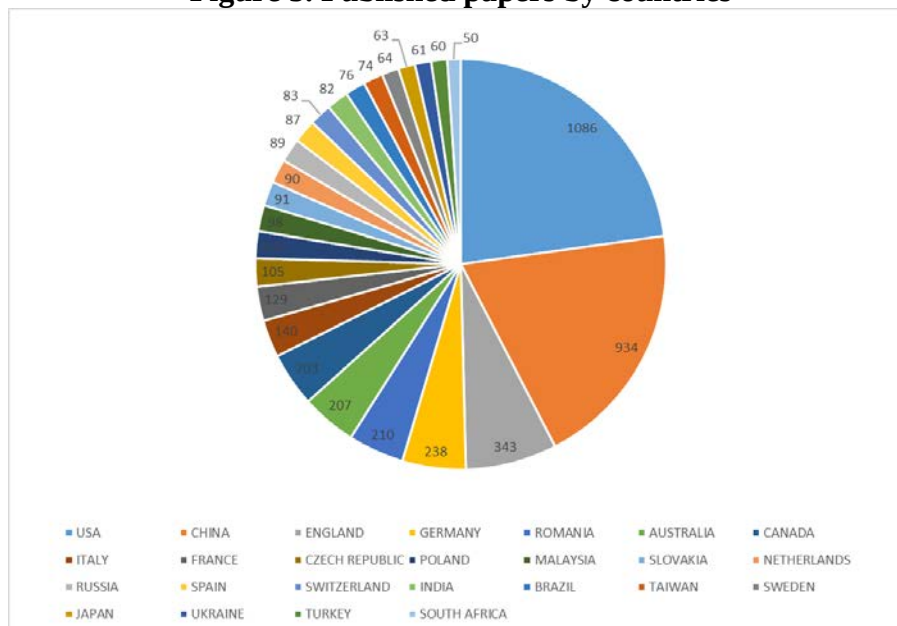


Source: Own processing based on Web of Science Group (clarivate.com)

Most studies were conducted in 2006-2021, in 2017 registering a number of 387 published scientific papers, representing the year with the most publications so far. In 2021, this number significantly decreased, reaching 222 publications.

In the following part, we will present the top of the countries or regions that have published over 100 scientific papers for the subject of risk management, being made up of a number of 25 country/region. At the top of the ranking is the USA with an impressive number of publications, amounting to 1.086, followed by China with 934 published papers. Surprisingly, in this ranking, Romania is on the 4th place, with a number of 210 publications so far.

Figure 5. Published papers by countries

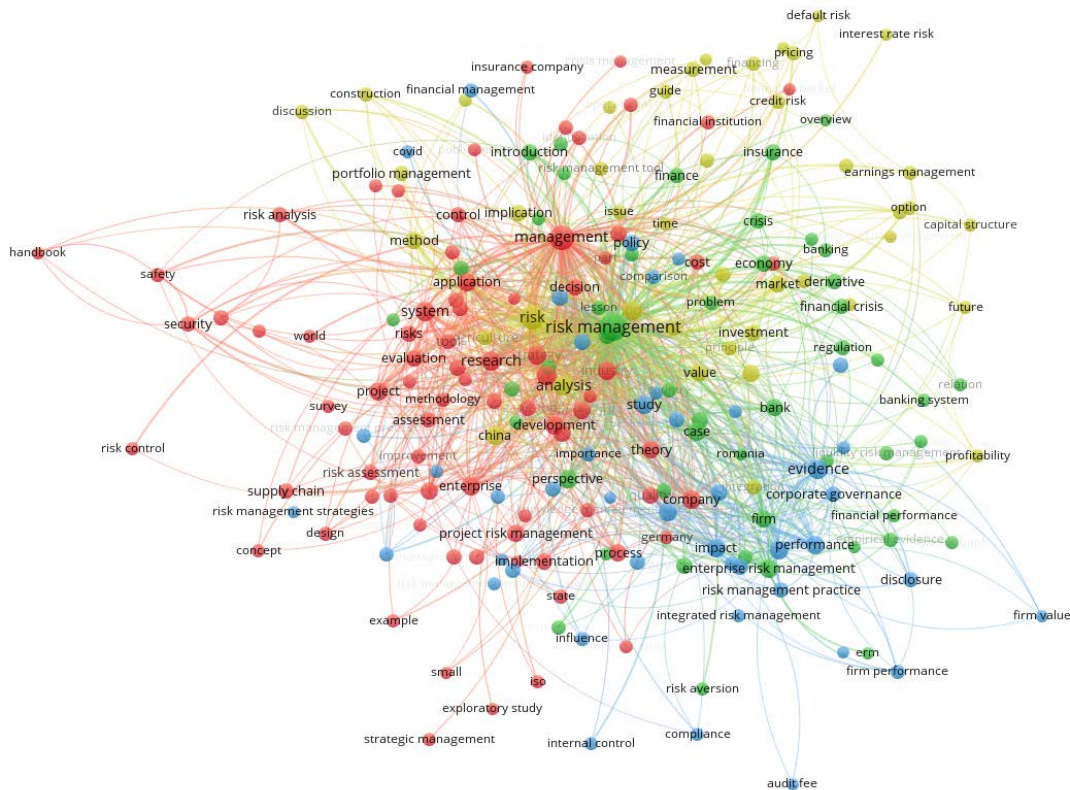


Source: Own processing based on Web of Science Group (clarivate.com)

4. BIBLIOMETRIC ANALYSIS

Based on the search method used on the WoS platform and the results, we performed a bibliometric analysis of the risk management concept using the VOSviewer software tool, using keywords from the titles of the published articles. This extracted 10.215 terms, of which only 1.310 terms reached the threshold of at least 10 frequencies.

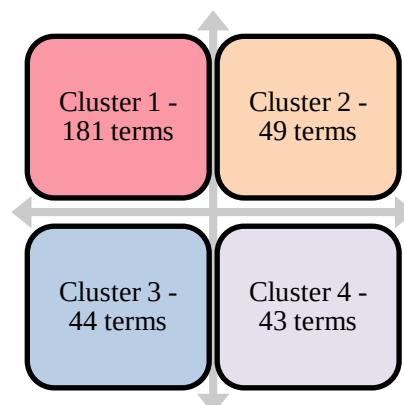
Figure 6. Complete network of key terms



Source: Own processing based on Wosviewer tool

Analysing the complete network of key terms, we observe four different clusters:

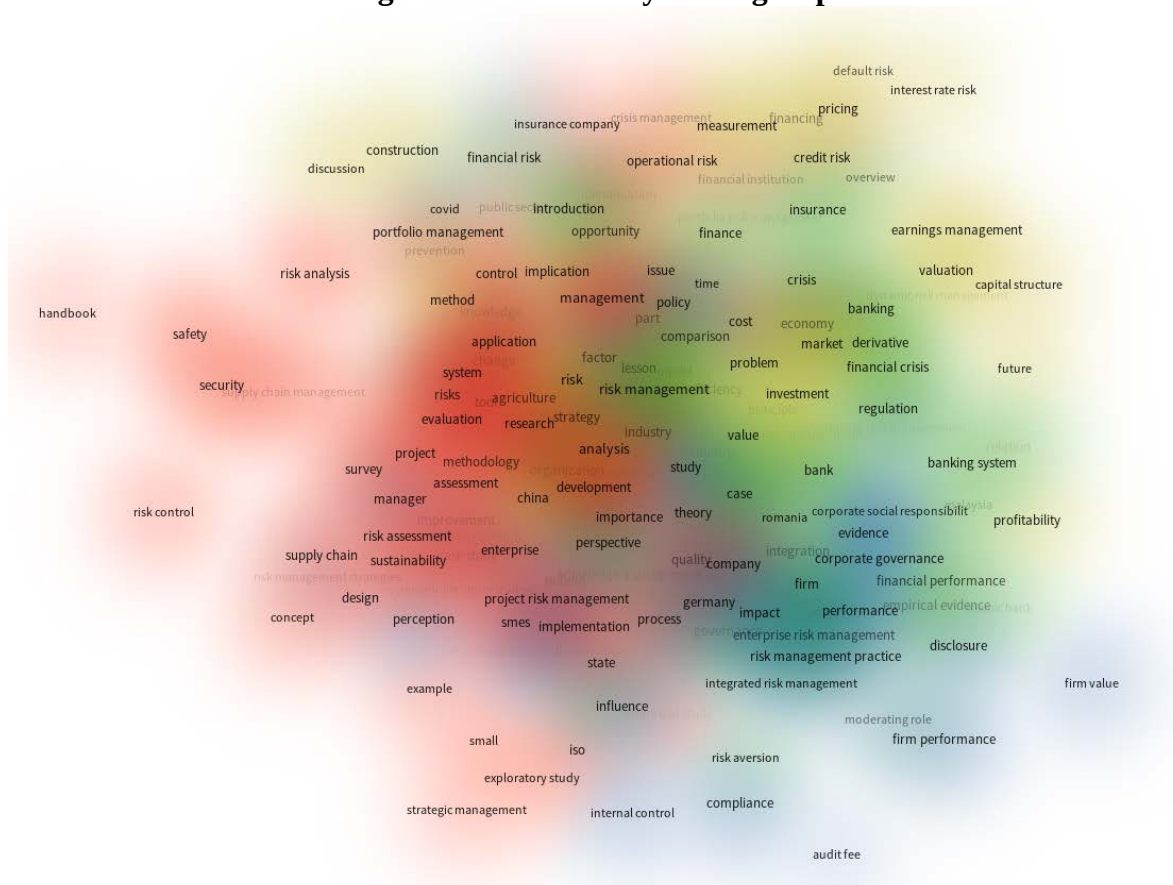
Figure 7. Terms distribution in cluster



Source: Own processing based on Wosviewer tool

The first cluster shows the connection between the following terms: company, control, decision, development, management, etc. The second cluster includes terms such as risk management, financial performance, governance, enterprise, opportunity, regulation, etc. The third cluster, coloured blue, comprises 44 terms related to: business, decision-making, financial management, internal control, performance, etc. The last cluster is the smallest and consists 43 terms revolving around the concept of risk management, including terms such as risk, method, accounting, integration, measurement, portfolio risk management, profitability, risk management tool, etc. Investigating the Cluster Intensity map, we can observe that the red cluster has the most higher intensity and Cluster 3 and 4 has almost the same intensity.

Figure 8. The intensity of the groups

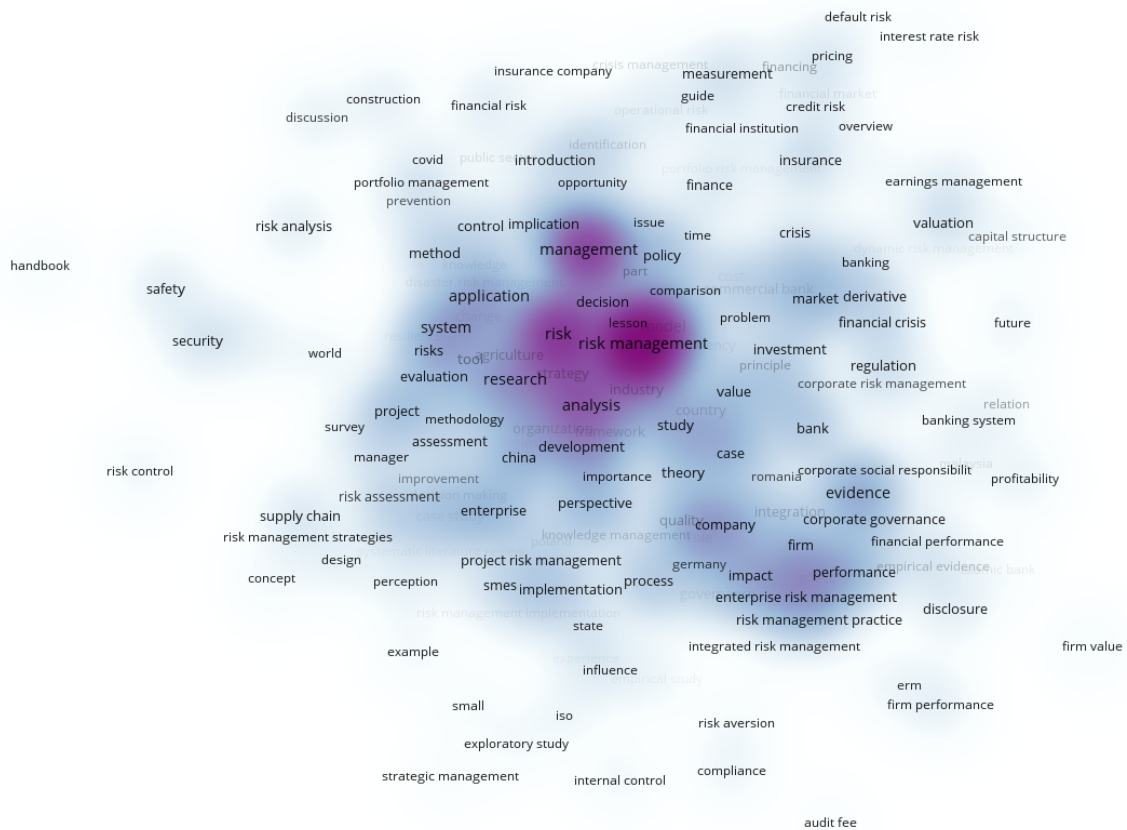


Source: Processing based on Wosviewer tool

Risk management and assessment are essential for investors, debtors, corporate managers and other stakeholders to make proper decisions. However, risk management is about dealing with potential risks and the plan that firms put in place to either mitigate, reduce or avoid potential risks. To clarify, risk assessment is the information about the risk, while risk management is the plan for dealing with the information about the risk. It is not enough for companies to assess risk, they must also manage it if they are to survive and succeed. Risk assessment and risk management are like partners.

Without a risk assessment, companies do not know which risks to include in their risk management plans. While businesses may not be able to stop or avoid all risks, with a solid risk assessment and risk management plan, they can at least be prepared to deal with the impact of unavoidable risks. Risk management helps businesses prepare for the unexpected. How companies deal with risk affects their success and survival in the marketplace.

Figure 9. The intensity of the terms



Source: Processing based on Wosviewer tool

Based on the previous map, we can conclude that the following terms have a much higher intensity than the others: risk management, decision, analysis, lesson, company, performance.

5. RELATIONSHIP BETWEEN INTERNAL CONTROL AND RISK MANAGEMENT

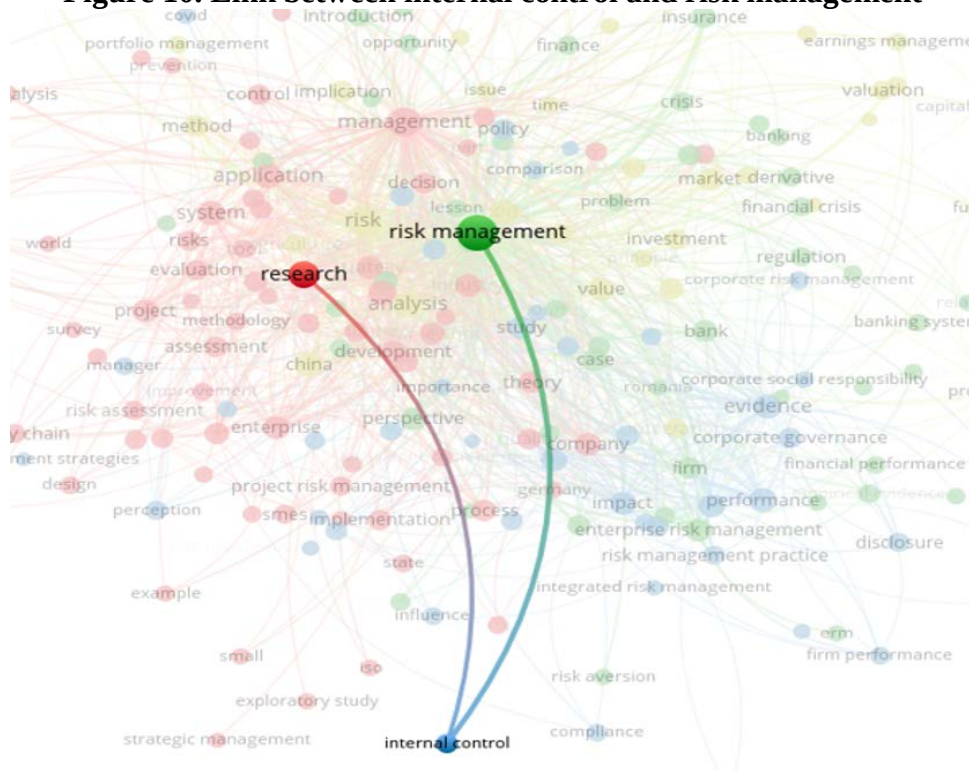
From the bibliometric analysis, it appears that the term control is in cluster 3 and the term risk management is in cluster 2. According to the software used, this represents a link between these two terms. Analyzing the case of a multinational company, based on our research, we find that the risk management model consists of two interrelated systems: the Internal Control System (ICS) and the Risk Management System (RMS). The ICS serves as the first instance to counteract the risks arising from the controls. At this point, risks are defined as possible, uncertain deviations from objectives compared to their planned extent.

Based on three main objectives (operation, financial reporting, compliance) the ICS pursues through the following main sub-processes, summarizing that it's anchored throughout the organization, at all levels:

- Control environment: establishing the necessary standards, processes, and structures, including responsibilities, etc.
- Risk assessment: identification and evaluation of risks
- Control Measures: implement controls to counteract risks, particularly in the form of behavioural instructions, approvals of decisions, quality controls, etc.

- Information and communication: the flow of information within the organizational unit from management to the organization
- Monitoring: ensures the sub-processes are effective, efficient and harmonized.

Figure 10. Link between internal control and risk management



Source: Processing based on Wosviewer tool

The danger that events, developments, or actions will prevent the Group or one of its business units from achieving its objectives is referred to as risk. It is also critical for the Corporation to identify opportunities and capitalize on them in the course of its operations, thereby protecting and enhancing the Corporation's competitiveness.

At the respective management level, risks and opportunities are always evaluated in relation to the company's objectives. Company-wide risk management leads to effective management of uncertainties, as well as the associated risks and opportunities, and provides a different perspective for corporate planning and activities. It supports the achievement of corporate goals and the company's continued existence by impacting the sustainable decision-making process. The Internal Control process focuses on controls to counteract risks in a broader sense and the risks that cannot be fully managed by controls are part of the Risk Management process.

Risks can arise from internal or external factors that affect business processes. To manage the volatility of these factors, each organizational unit shall first attempt to implement controls as first-instance measures. In case of the previous mentioned factors change, the business processes or their controls are initially adjusted so that possible process deviations are still within the control framework of Internal Control System.

If, despite these adjustments or because of the lack of adjustments, the business process deviates from the target state to such an extent that it can no longer be controlled by the existing control system, a current and concrete risk arises for which a measure must be defined, implemented and monitored. In this way, risk management can have an impact on the internal

control system. For each identified risk, a measure must be defined, implemented and monitored. In this way, risk management can have an impact on the internal control system.

6. CONCLUSION

Risk management represent the identification, evaluation, and prioritization of risks trailed by composed and efficient use of assets to limit, screen, and control the likelihood or effect of disastrous events or to augment the acknowledgment of chances.

Striving with the assumption that people work for the group in an organization that employs a group structure as a management model. As a result, each employee is committed for contributing to the overall goal of the organization. This suggests that all team members have a fundamentally similar task: to make sure that the company can deal with risks while remaining safe and enforceable.

Risk can emerge from inward or outside factors that influence business processes. To deal with the unpredictability of these elements, each hierarchical unit will initially endeavour to execute controls as first-occurrence measures. If there should be an occurrence of the past referenced elements change, the business processes or their controls are at first changed so conceivable interaction deviations are still inside the control structure of Internal Control System.

Concluding based on our bibliometric analysis, we can state that around risk management, swing terms as: performance, decision, manager, efficiency, opportunity, regulation, internal control. Before making decisions, it is critical for all managers to focus on identifying and monitoring risks. Their organizations' success is dependent on the relevance of their decisions, and thus on their ability to oversee and manage various types of risks.

Establishing and implementing risk prevention measures, detecting and correcting deviations that occur in the company and may affect the achievement of the company's objectives, and verifying the existence of adequate planning processes and mechanisms for the company's design and organizational development are also important objectives of internal control

Our research pointed the relationship between internal control and risk management, clearly showing that the internal control is considered as an expansion of risk management and is accordingly firmly identified with it concerning system detailing and execution, being indeed an impressive development.

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REPORTING INTEGRATED IN THE CONTEXT OF THE COVID-19 PANDEMIC

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ABSTRACT: *The covid-19 pandemic has led society and the business community to approach holistic thinking on corporate governance, performance management and strategic development plans, identifying the elements that have the capacity to create added value in a sustainable way. this pandemic has had both positive and negative influences on the global economy and social development. with the increase of the covid-19 infestation rate, the moral and economic values of the society change, the profit that the economic side is no longer in the center of attention, but the way of developing the ecosystems that generate it*

Keywords: *covid -19 pandemic, integrated reporting, performance management*

JEL Classification: *F60, H50, J10*

1. INTRODUCTION

The Covid-19 pandemic spread all over the world, represents the greatest state of emergency in the health system of the last century, which caused the whole world both psychosocial imbalances highlighted by social isolation, death, suffering, hopelessness, as well as illustrated financial imbalances by restricting or closing economic activities, increasing costs, relocating employees, creating a state of disillusionment about the future repercussions of the pandemic on the business environment. One of the effects of the pandemic is the distortion of business models and the change of value creation processes, forcing managers to reorganize the activity and improve employees' access to information and to a new work environment.

At the same time, the pandemic also led to a rethinking of reporting practices, because the economic information provided is quite simplistic, not satisfying the need to understand the impact of Covid-19 on entities and corporate management, requiring a holistic view of the impact and external influences. Due to these events caused by Covid-19, entities are urged to provide transparent information on the impact caused by this pandemic, avoiding the harmful speculations that form around this situation. The new forms of reporting must include aspects related to risk management, employee safety at work, relations with the business environment and the environment, to highlight both the visible financial impact and the possible non-impact or a positive impact on the performance of the entity.

Due to this exceptional situation, the International Integrated Reporting Council (IIRC) aims to promote a new integrated reporting model that includes eight content elements such as: organizational vision, relationship with the external environment, risks, opportunities, strategy and resource allocation, governance, performance, prospects and two fundamental elements such as: capital and the value creation process.

This paper aims to discover the new information needs of different users of financial and non-financial information, as well as the new data that entities must include in their integrated reports, with the aim of providing a true picture of the impact and management of the pandemic of Covid-19 on the business environment.

2. LITERATURE REVIEW AND RESEARCH METHODOLOGY

Starting from the theory of legitimacy, any entity must respect social values and expectations, ensuring asymmetry between social values and company strategies. In this sense, companies provide financial and non-financial information in order to justify the activities undertaken and show that they respect social standards.

According to specialized literature, companies adopt certain strategies to be able to operate in optimal parameters. One of the strategies adopted is the fund management strategy which imposes an organizational change in order to change the perceptions of the stakeholders regarding the issue in question. Another strategy is represented by the symbolic management strategy that tries to change the expectations of the parties.

It is very important to implement these methods because it is related to good business practices, but it is also considered a PR and communication tool, raising the level of transparency towards customers, partners and suppliers. It can be said that applying this reporting increases the visibility of the entity within the sector in which it operates, but it can also be a springboard for attracting new investments through the application of quality management and through the fruition of the strategies applied regarding risk management and implemented decisions.

The research methodology is formed, within this work, from two stages: a stage to identify the consequences of the Covid-19 pandemic and another stage which is based on the analysis of integrated reporting during this period. In the first stage, the factors leading to the disruption of global economies were identified, with the aim of understanding the effects of the pandemic and obtaining new information related to the spread of the pandemic. In the second stage we focused on the analysis of the financial reporting framework to identify the guidelines and information requests of the integrated reporting framework in order to be able to understand how information about the Covid-19 pandemic can be inserted within these reports.

3. RESEARCH RESULTS

Starting from the idea that the purpose of an integrated report is to show the ability of companies to create value, we can say that the integrated reporting framework is the ideal place to provide information regarding the impact of the Covid-19 pandemic by disseminating this information that would could disrupt their ability to create value.

Most interested in this information are capital providers who want to know the risks and opportunities related to the pandemic. The integrated reporting framework allows companies to adapt standard content to pandemic-specific information, maintaining a balance between standardization and flexibility. This form of reporting allows the presentation of both qualitative and quantitative information. Quantitative indicators objectively present the effects of the pandemic on value-creating processes, and qualitative indicators analyze and interpret quantitative data.

The principles underlying the adaptability of the integrated reporting framework to the specifics of pandemic elements are:

- strategic orientation, involves focusing on companies with the aim of providing information on adaptation strategies to the events of the pandemic, avoiding the factors that can lead to the impossibility of creating value in the short, medium and long term;
- the connectivity of information – refers to the content of the report, reflecting the interactions within the system, being influenced by risks and opportunities;
- relations with the interested parties – are represented by the individuals who provide the resources necessary to carry out the activity;
- materiality – allows identifying the relevant aspects of the pandemic.

Analyzing the elements presented in the integrated reports, one can see the need to introduce new information about elements such as:

- the influence of the pandemic on the economic situation and the financial development environment of the company;
- the presence of different anti-pandemic specialists and about any change in policies and responsibilities that may lead to radical changes within the company;
- the necessary investments to reduce the impact of the pandemic on the results obtained by it, as well as the investments made in the means of protection for the different groups such as employees, customers, suppliers;
- the changes suffered by the company at the level of the competitive portfolio as a result of the spread of the pandemic;
- the impact of the pandemic on financial, social and environmental performance;
- the future prospects that will have to be implemented to face the pandemic;
- the monetary resources obtained from governments to be able to face the pandemic and the investments made to combat this health crisis;
- the impact of the pandemic on liquidity, solidity, profitability and growth profiles;
- the material assets used to deal with the pandemic;
- skills acquired through new employees to cope with the pandemic and information about pandemic training programs;
- the effects of pandemic management on the environment, with reference to water and energy consumption, the elimination of individual protective devices, emissions and noise;
- the support of society (in monetary and non-monetary terms) and the scientific community.

4. CONCLUSION

The COVID-19 pandemic, in addition to the negative aspects on health, has also led to significant real risks and losses for society worldwide, but also for the business environment, requiring immediate and perhaps even uncertain decisions in order to mitigate the problems of immediate liquidity, layoffs, loss of contracts and customers. In this regard, we can state that it is necessary for companies around the world to include in their corporate reports information that allows owners, investors, employees and any other user of financial information to know the immediate actions that managers have taken to manage and mitigate the negative effects arising from this pandemic.

Future risks involving the company as well as business opportunities that may arise from the new global landscape must also be remembered. This paper aims to identify the information that companies will need to add to integrated reports following the COVID-19 pandemic, this information must be viewed from a dual perspective based first on the general content elements and then on the specific capitals identified of the integrated reporting

framework specific to each individual company, which they will have to include in their integrated reports in order to maintain and defend legitimacy and allow investors more accurate investment processes. This information mainly refers to the existence and effectiveness of the internal pandemic prevention and action system; as well as the integration of the risks and opportunities that this pandemic implies from a competitive point of view in the company's strategy;

This study attempts to extend the scope of legitimacy theory by showing how the inclusion of information related to the effects and management of the pandemic can be a favorable means of maintaining and defending legitimacy as well as avoiding legitimacy gaps. In this case, if a company is accepted as a good corporate citizen, society will have certain expectations regarding the dissemination of information.

In this perspective, disclosing information related to the effects and management strategies of the pandemic is a solution for companies to meet the expectations of information users and to keep their image and legitimacy intact, providing companies with a guide for preparing future integrated reports, as well as a list of elements that you will have to take into account in the process of drawing up the documents.

The limits of this work come from the dissemination of information related to the sectoral and dimensional specificities of the companies, offering new avenues of study such as investigating the determining factors of the level of information related to the pandemic situation.

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LEGAL AND CORPORATE GOVERNANCE IMPLICATIONS FOR AUDITORS

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ABSTRACT: *This paper takes an integrated approach to the auditor's role. It is indisputable that the auditor's liability, both legal and professional, is increasingly well defined from a legal and practical point of view and is used with increasing frequency in contractual clauses. This paper addresses the legal aspects regarding the role and importance of the audit, presenting the main objectives and duties of the financial auditor, respectively the implications of corporate governance on the audit profession. The lack of independence, an essential element, in the absence of which it is possible to reach situations that attract the responsibility of the auditor, constitutes an impediment in the effective realization of the role that he has in the framework of corporate governance. Thus, the main issue is to ensure that there is an appropriate professional relationship among the auditor and the management whose financial statements are being audited. Liability must also be seen through the lens of the liberal nature of the auditing profession. Thus, this paper aims to provide an overview of the activity of auditors and the obligations arising from the status they hold and, consequently, the way in which they respond for non-fulfillment of obligations or non-compliance with the professional norms to which they are subject, as well as the possibilities of limiting any liabilities that may be incurred. Like any research, the present research presents some limitations by only addressing the legal aspects and not the accounting ones, so it offers the chance for future research that treats the two sides of the audit profession in conjunction.*

Keywords: *audit, legal, corporate governance*

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1. INTRODUCTION

Given that accounting requires consistent training from a theoretical point of view and work experience for recording accounting information and rendering it in a processed form, accounting experts are those specialists who intervene in this process even retroactively to verify the accounting process of on its basis and the clarification of some facts regarding the accounting information. An important and widespread branch of the accounting profession is that of financial auditing.

In order to fulfill its role and objectives, the audit must be of quality, its lack being sanctioned either by the beneficiaries of the audit mission or by the institutions and organizations in which the auditors are registered. Thus, the quality of the audit is measurable through the

reduction of inherent risks within an entity, through the reputation of the auditors or their competence and independence.

The role of audit in the context of corporate governance needs to be explained, given that the role is mainly external to the decision-makers at the top of the company. The auditor's role is to verify (Principles of corporate governance, 2011). Starting from this concept, the comparison can be advanced according to which the auditor is and fulfills the function of a watchdog of the company he audits.

The lack of independence, an essential element, the lack of which can lead to situations that attract the responsibility of the auditor, constitutes an impediment in the effective performance of the role he has in corporate governance. Thus, the main issue is to ensure that an appropriate professional relation exists among the auditor and the management whose financial statements are being audited (Solomon, 2011).

Obviously, the responsibility of the external audit is to satisfy itself about the degree of competence of the work performed by the internal audit department. Management may also view this plus as a quality indicator of its own internal audit department, although there is a possibility that this criterion may not be met due to reasons beyond the internal audit department's control, such as independence (Dunlop, 1998).

Therefore, the auditor's responsibility cannot be treated in isolation from his responsibilities. It is necessary, in order not to distort the function of the audit and not to destabilize both the auditor's work environment and the tense conditions in which he works, that there should be a directly proportional relationship between his liability and the culpable acts committed. It is obvious that the auditor will be responsible for his actions, to the extent that they have prejudiced an interested party, but the liability must not be given a threatening character that will increase the tension and pressure on the shoulders of the auditor (Fülöp et al., 2019). Thus, a vicious circle could be created, in which, even though the size of the established liability, the auditor's mistake is indirectly forced to attract the expected consequences.

Liability must also be seen through the lens of the liberal nature of the auditing profession. George Bernard Shaw stated that freedom means responsibility, that is why most people fear it. By the nature of his profession, the auditor has a very wide freedom of thought, being limited only by the legislation in the field and by the professional standards that he is forced to respect. As a consequence of this freedom, the auditor's liability comes to sanctioning the reasoning, through fault or intention, which was the direct cause of a defective audit and, implicitly, of some damage.

Just as the beneficiaries of a service try to put themselves in a position as favorable as possible towards the provider, in this situation, they try to attract as much responsibility as possible on the auditor. The auditors' natural reaction is to defend themselves, trying to limit, reasonably, the size of the liability that they would be liable to suffer in the situation of performing an audit, for various reasons, of poor quality.

Thus, this paper aims to provide an overview of the activity of auditors and the obligations arising from the status they hold and, as a consequence, the way in which they respond for non-fulfillment of obligations or non-compliance with the professional norms to which they are subject, as well as the possibilities of limiting any liabilities that may be incurred.

The financial auditor – role and duties

Obligations and duties of the auditor

In order to fully and correctly appreciate and evaluate the scope of the auditor's duties and obligations, it is imperative to define the activity carried out by this category of accounting professionals.

Audit, generally speaking, is a methodical process of objectively finding and evaluating specific information or statements with a goal to assess their grade of conformity with predetermined standards, as well as sharing the results to interested users (American Accounting Association). Having as a starting point the definition of audit in the general way, it is easy to offer a perspective on what the financial-accounting audit entails, which consists in the verification and certification of financial statements by a competent and independent professional, in order to express his opinion on the reality data included in the annual financial statements (Fülöp et al., 2019).

Obligations derived from the exercise of the profession

The central obligation of the audit is to guarantee the users of the accounting information regarding two aspects:

- ✓ observance of commonly accepted accounting principles and internal procedures applied by the management of the company;
- ✓ The reflection in accounting and financial statements of the true, clear and complete picture of the financial position, financial performances and alterations in the financial position (Oprean, 2002).

Regarding the generally accepted principles, the importance of their compliance derives from the fact that the extent to which they are complied with provides a first opinion on the veracity of the information recorded in the accounting. It is also necessary that the internal procedures established by the management are consistent with these generally accepted principles in order not to create conflicting situations in the internal environment of the enterprise and to ensure compliance with legal regulations regarding accounting records.

The concept of faithful image does not refer to an exact copy of reality, but is represented by the "image that can be trusted" (Capron, 1994). Thus, the auditor has the obligation to certify that the information contained in the balance sheet, in the profit or loss account, regarding the cash flows or the change in equity are credible information, to which the users can give credit. The auditor must verify and guarantee the conformity with the reality of the most important internal accounting information of the enterprise regarding the financial position and performance.

In order to fulfill the obligation of ensuring the users of the accounting information regarding the respect of the generally accepted accounting principles and the reflection in the accounting of a faithful image, the auditors have, according to Law no. 441/2006, as the following main attributions:

- ✓ to supervise the management of the company;
- ✓ to check whether the financial statements are drawn up legally;
- ✓ to check whether the company's registers (the register of shareholders, the register of meetings and deliberations of the board of directors, the register of shareholders, the register of bonds, the register of deliberations and findings made by censors or internal auditors) are kept regularly and comply with legal requirements;

- ✓ to check whether the evaluation of the patrimonial elements was done according to the rules established for the elaboration and presentation of financial statements (Morariu, 2008).

By exercising these duties, the auditors practically ensure the achievement of the objective of an audit mission, namely that of obtaining a level of reasonable assurance to be able to express a positive opinion attesting to the fact that the accounting summary documents are drawn up in accordance with legal regulations and standards accounting rules in force on the date of the audit mission. The verification work and the opinion expressed by the auditor will necessarily be concretized in an audit report (Cordoş and Fülöp, 2015). A series of opinions can be expressed in the audit report:

- ✓ unreserved opinion – in the context in which the verified information is truthful and consistent with reality;
- ✓ qualified opinion – in the situation where the auditor cannot express himself regarding all the verified aspects, providing reasonable assurance regarding all the verified information, certifying only a part of the accounting information;
- ✓ adverse opinion – the auditor will formulate this opinion under the conditions in which he finds that there are significant distortions in the audited accounting information;
- ✓ Impossibility of expressing the opinion - in the situation where the auditor does not have access to accounting documents due to the attitude of the company's management or as a result of their destruction or non-existence.

Due to the complexity and importance of the activity carried out by the auditors, they face potentially conflict-generating situations. Internal auditors are faced with situations that require difficult decisions to be made, at which point compliance with the auditor's ethical and moral responsibility is verified. Internal auditors located at certain higher levels of management serve functions of controlling managerial activities, this being another source of potential conflicts of loyalty that can be generated even within the perimeter of the organization. But their responsibilities within the organization require them to seek to protect the entity's assets, minimize loss and inefficiency, and guard against willful wrongdoing and conflicts of interest (Boţa-Avram, 2009). In order to overcome this obstacle in the exercise of their profession, auditors can turn to the code of professional ethics that will provide them with a guide in dealing with ethical issues so that in the end they can respect the highest quality standards of the profession practiced.

Obligations derived from the status of auditor

The financial auditor is that natural or legal person who has acquired this status, being assigned by the Chamber of Financial Auditors in Romania (CAFR). After joining CAFR, auditors have, in addition to the right to practice auditing, the following obligations:

- ✓ to conform with the requirements of the Audit Standards and the minimum audit procedures developed by the Chamber, in accordance with the law, as well as the legal regulations;
- ✓ to submit to the quality control procedures of the financial auditor, as well as to the monitoring and investigations of the Chamber on the activity of its members;
- ✓ to pay the annual fee on time;
- ✓ to comply with the continuing professional training program;
- ✓ conclude an insurance contract for professional risk with an insurance company;
- ✓ to notify the Chamber, within a period of 30 days, of information regarding the change of name or address, or regarding the modification of the status of employee, associate or administrator of a financial audit company, or self-employed;

- ✓ to inform the Chamber, within up to 5 days from the occurrence of the events, about: disciplinary sanctions applied by a legal authority or a professional body, convictions handed down by criminal courts, court decisions prohibiting him from managing commercial companies, etc.;
- ✓ to obey the code of ethical and professional behavior in the area of financial auditing.

In parallel with the obligations imposed by the Romanian Chamber of Financial Auditors, auditors must respect and follow a set of fundamental principles at all times: integrity; objectivity; professional competence and prudence; confidentiality and professional conduct.

Compliance with these fundamental principles is worthless and ineffective if these principles are not followed in tandem with another moral value without which the audit activity would be meaningless and result less: the independence of the auditor. Financial auditors, in the independent exercise of the profession, must be free and perceived to be free from any constraint that could affect the principles of independence, objectivity and professional integrity (O.U. no. 75/1999).

The issue of independence is brought to attention and even amplified by the financial context of the past years and, implicitly, by the management that puts pressure on the auditors when there are misunderstandings regarding the informational area subject to control. As a lever of control on the part of the management, there is the possibility of resorting to tenders in order to conclude audit contracts. The acquisition of this practice by an increasing number of companies leads to sub-bidding competition from the auditors at the time of submission of bids. The problem arises when the price reductions become significant and it even comes to the practice of dumping price in the desire to enrich its customer portfolio. As a rebound effect, there is a difficulty for auditors to perform their work at the level of professional standards, as well as the need to recover the difference by practicing some complementary services that can lead to affecting the auditor's objectivity and therefore also his independence. Other threats to the independence of the auditor are represented by prolonged collaborations between the audit firm and the audited firm, a fact that can lead to the development of relationships likely to affect the normal and fair course of the audit process and the situation where the auditor provides a company with related services such as drawing up financial statements, in which case he cannot have the capacity of auditor at the same time.

Despite these disruptive factors, in order not to lose the confidence of information users, auditors have to sustain a high degree of unbiasedness operations and activities of the audited companies. The inquiry of providing flawless independence cannot be discussed because:

- external auditors' remuneration comes from the audited company; consequently, sometimes they may diverge from the auditing procedures and principles, so that they can retain the client entities;
- internal auditors are, on one hand independent in relation with the audited structures and activities, but, on the other hand, they have a subordination relation towards the entity's senior management (Oprean et al., 2007).

A significant difference is observed in the degree of independence of the auditors depending on the way of relationship with the audited company and the way of reporting to it. Thus, the internal auditor is nevertheless independent in the exercise of his function, in the sense of an independence of mind from the subjects he audits (Cordoş and Fülöp, 2015), this independence being slightly limited by the fact that ultimately, the internal auditor is linked to the company or organization and liable to the management of the organizations they belong to. On the other hand, the external auditor is not directly subordinate to the company, but morally through the status given by the relationship with his client, but it can be stated that he as the independence specific to the holder of a free profession, regulated legally and by statute (Ghiţă et al., 2011).

In conclusion, the multitude of obligations that a professional accountant has, both as a result of the status he has as a result of joining the profession, and as a result of the effective exercise of the auditor's work in relation to the audited companies, do nothing but confers increased security in his work and the results of his work and the assurance he himself provides on the audited accounting information. In the spirit of these obligations and as a result of their compliance, the auditor's fundamental role is revealed both in relation to the financial market, to the management of the company through the decisions made with their help, and to corporate governance, an aspect that is to be treated in the following chapter.

The auditor's role in corporate governance

General framework of corporate governance

Corporate governance is a field that has aroused the interest of specialists from various fields. This field has come more strongly to the attention of actors in the economic field with the emergence of the financial crisis and some deficient situations from the point of view of world-renowned governance. The determining factors of these situations were either fraudulent financial reports intended to misrepresent the real situation of the company (eg: the case of Enron, Worldcom), or the lack of professionalism of the managers, the two factors acting in tandem. In the aftermath of the financial crisis and some of the most high-profile audit failures, it is important to determine what is the role, impact and influence of audit on corporate governance and how and to what extent audit is influenced by this guarantor position.

Auditing of companies is a major component in the corporate governance mechanism that leads to a correct and efficient development of strategies. Part of the interested users are represented by the managers of the entity in question who will use this information to base their future decisions and achieve efficient and correct management.

It is of crucial importance to understand what the concept of corporate governance entails in order to properly appreciate the auditor's role in the governance process. Thus, a first definition of corporate governance is that it is the system by which companies are run (Cadbury Report, 1992). Although it is a succinct definition, it captures very well the essence of the concept of governance, while also revealing that corporate governance refers to the idea of top management. From another point of view, corporate governance is defined as a set of voluntarily adapted laws, rules, regulations and codes of conduct that enable an entity to attract the resources necessary for its activity (The World Bank, 1998). Later, a few years later, Cadbury tried to highlight the importance of corporate governance by stating that corporate governance refers to maintaining a balance among economic and social objectives, but also among common and individual objectives. The governance outline must encourage the proficient use of resources while requiring accountability in the management of these resources. The aim is to align individual, corporate and societal interests as much as possible.

The Organization for Economic Co-operation and Development (OECD) has established a series of basic elements regarding the principles of corporate governance. The auditor's role in corporate governance can be determined having as a initial point the common framework of corporate governance, but also the principles pronounced by the OECD.

Auditing in the context of corporate governance

The audit fulfills, within the application of corporate governance in a company's environment, a control function of information and some processes in the company's internal environment. Two understandings of control can be encountered. In the Anglo-Saxon view control is an action of supervision, a thorough examination, it also expresses the power to lead

as an instrument of regulation of a mechanism (Fülöp, 2014). Instead, in the French sense, control represents a check, a careful inspection of the correctness of the preparation of an act (Onofrei, 2009).

Thus, according to the Anglo-Saxon view, the preventive nature of control can be deduced. The control carried out in this way checks in detail whether the ongoing processes and the documents that are drawn up comply with the legislation and the imposed standards. The main effect of this type of control is that it actively participates in the management activity due to the fact that through its preventive nature, practically, simultaneously with the verification, a continuous regulatory activity is carried out in the sense that, in addition to the verification from the point of view of the veracity of the documents drawn up also draw tasks on how they must and will be drawn up later.

Slightly different is the French view on control, in the sense that from the point of view of the main function, they fulfill the same objectives, but they are not similar in terms of the existence or not of a preventive character. The control, in the French view, involves only the verification of the correctness of the preparation of the documents at the moment after their preparation and not necessarily during their preparation. Therefore, control, from this point of view, participates in the management activity only by guaranteeing the veracity of the information on which the management bases its decisions and strategies.

From the point of view of the exercise of control, the typology of control includes internal control and external control. The internal control includes all the controls inside the entity, while the external control includes all the controls addressed to the entities, outside it (Onofrei, 2009).

The role of internal audit

Internal auditing represents an independent impartial guarantee and advisory occupation intended to add value and drive improvement to the organization's activities (Institute of Internal Auditors, 1999). Thus, the audit is presented as an independent activity, but still subordinate to the management of the entity. Internal audit supports the organization accomplish its purposes through a methodical and disciplined methodology to evaluating and refining the efficiency of risk management, control and governance processes.

It can be seen how the activity of the internal auditor supports the control process throughout it and from implementation to evaluation. First of all, it checks the areas most exposed to risks, among which are information systems due to the importance of not only correct data, but also a viable way of transmitting said data, information representing the source of effective management. The internal auditor also has the role of treasurer of the company's assets in that he verifies the property rights over the assets, the correctness of the transactions and the formation of added value.

The internal auditor's role is also to implement systems for verifying the company's internal control and the degree of fulfillment of its objectives. Thus, a double control filter is created, the auditor reaching the position of verifying the activity of the internal control and to the extent of the degree of assurance it provides regarding the verified information, as well as investigating those data samples that either do not have have been verified by the internal control, or whose verification does not present a sufficient threshold of confidence.

In the third stage of the process in question, the auditor's communication activity with management and, implicitly, the active involvement in corporate governance takes place. In the first phase, the auditor provides advice to the management so that, together with it, they succeed in creating an internal operational control system at the highest possible parameters. Afterwards, the auditor supervises the way in which his recommendations were implemented and, in the situation where it is necessary, makes the necessary changes to ensure the objectives

in mind. The internal auditor can do in-depth, ongoing analysis and develop strategic action plans (Fiolleau et al., 2019).

Due to his positioning in relation to the company's environment, namely inside it, it is necessary for the internal auditor to subordinate himself to a structure or a representative of the company and to whom he also performs part of the previously mentioned services. Therefore, "the internal audit is performed in the interest of management (...) and can be focused on financial-accounting documents, management operations, as well as on the quality of managerial activity" (Onofrei, 2009). Considering the scope of the auditor's work, as well as the direct beneficiary of the auditor's activity, the positioning of the internal auditor within the company can be established. Thus, the internal auditor's place in the organization of the enterprise is determined by his authority and responsibility. In this sense, internal audit is a functional responsibility and because of this, it does not exert a direct influence on employees (Țingău, 2007).

Corporate governance strives for transparency and accountability, and internal audit is the function within an organization that can make a significant contribution to achieving a surplus of transparency on the organization's activities (Fülöp & Szekely, 2017). It can be stated, therefore, that the internal auditor supports corporate governance and responds to its principles. By ensuring the transparency of the transactions carried out by the entity, the internal audit brings more certainty for the management component, ensuring an effective practical implementation of the elaborated strategies.

It is of particular importance that internal auditors are aware of the size of their role within the entity and corporate governance. They must adopt a global view of corporate governance, seeking to improve their skills and activities towards assessing, improving and monitoring the organization's corporate governance skills. It is very significant that the director of internal audit understands all the components of corporate governance, in order to be able to identify which are those areas where internal audit can make its contribution (Boța-Avram, 2009).

It is possible to foresee, considering the current conditions, a transformation of the function of the internal audit into a proactive one, which in harmony with the duties of the internal auditor reveals the importance it has in the application and support of a successful corporate governance. In conclusion, the scope of the internal auditor has undergone mutations, moving to a new position of support, through consulting and assurance. In this context, the internal audit also moves, from a strictly specialized person to a complex person through its training (Betti & Sarens, 2021). It would be premature and erroneous to establish permanently what is the scope of the internal auditor in corporate governance because with the evolution of the world economy, the financial markets, the requirements of investors, the input needed by the corporate governance system changes and folds and the scope of the internal auditor with the perpetual certainty that he will retain the importance of the role he has.

Internal audit's relationship with management

It should be noted that without a solid and constructive relationship between the internal auditor and the management of an organization, the benefits of internal audit would not materialize. As a result of his activity, the reporting that the internal auditor makes to the general manager has as a direct goal a consolidation of the position of the auditor in the internal hierarchy of the organization. He can participate in various meetings with the management of the company to support their decisions and strategies by providing access to useful information and documents. Therefore, a balanced relationship must be developed between the internal auditor and management, neither hostile nor too open, but based on mutual trust (Fülöp & Szekely, 2017). Based on this relationship, management must take into account and promptly

implement the recommendations made by the auditor and in turn inform him of any changes in the company's strategies and risk profiles. Although it is necessary for the auditor to perform his duties in accordance with professional standards and provide information of an increased quality, it becomes worthless if it cannot be transmitted by the auditor and received effectively by management, a fact that highlights the need to develop a positive relationship between management and the internal auditor.

Audit committees and their role

Audit committees are a concept brought to the attention of companies by corporate governance, being defined by pillar number 5 of corporate governance in the model developed by Pickett (1997). Thus, the essential concerns of the audit committee are concentrated on the course of organizing and ensuring the proper working of risk management, internal control, internal audit and its relation with external audit (Crişan & Fülöp, 2014). It can be inferred that these audit committees arose as a result of a need, a need for communication between auditors and management through which to transmit information, recommendations and to support the latter.

The audit committees must be formally constituted in such a way as to ensure that they have a relationship with the Board of Directors, to which they are subordinated and must report to them at regular time intervals. They should have access to terms of reference regarding their affiliation, authority and obligations, and should usually meet no less than twice a year.

Audit committees should consist of at least three members. Members should include non-executive directors and they must be mostly independent. The external audit must participate, together with the financial director, in the meetings of the audit committee. Considering the fact that the responsibility for the financial statements lies entirely with the Board of Directors, any extra members of it have the right to participate in the meetings of the audit committee. No less than once a year, the audit committee should have a meeting with the external auditor, from which the executive members are absent, to ensure that there are no unresolved issues or risks.

Audit committees should have clearly delineated authority to investigate any matter within their area of competence and responsibility, have the necessary resources to do so and full access to information. The audit committee has the possibility to request external advice from professionals and to invite people external to the company, but with relevant experience, to meetings, if the situation requires it.

Summing up, the audit committee developed responsibilities for assuring the rigor of accounts and reports to shareholders, the remuneration and appointments of directors, assuring shareholders of the independence regarding the expressed opinions (Tiron Tudor et al., 2009).

The role of external audit

The external auditor differs from the internal one by the position he has in relation to the audited entity and the additional independence conferred by this position, a characteristic aspect of the profession in question. Therefore, the external audit is carried out by an independent professional and has third parties and the audited company as direct beneficiaries. The areas covered by the external audit are the degree of indebtedness that can be given to its transactions and financial statements (financial attestation audit); conformity with legal provisions and laws, statutes and managerial decisions (audit of compliance or legality), as well as compliance with the principles of economy, efficiency and effectiveness in the activity carried out (audit of performance) (Popescu et al., 2011). Thus, the external audit offers a broad and overall view of the company, verifying and analyzing all the aspects on which the good

functioning of the entity depends, starting with the way of drawing up the financial statements and their degree of veracity, with the legal basis of the activity carried out, as well as falling within the established economic performance parameters.

Internal audit and external audit have a complementary relationship, they have to frequently exchange information on the extent of audits and audit findings (AL-Qadasi et al, 2019). The internal audit is in a position to provide information for the external audit to certify and to facilitate the work of the external auditors, while the external audit must respect the contribution of the internal audit and respond to each other due to the fact that, as a result of being positioned closer to the board of internal audit administration, it has an advantage in terms of the assurance and communication it can provide to the board.

The external auditor is highly dependent on the control environment he finds within the entity as a outcome of the work of the internal audit function. As a result of this causal link, the external auditor is influenced in the audit mission carried out by the control environment, positive or negative, found which has direct effects on the time allocated to the audit and the extent of the additional procedures performed by the auditor. In the external audit process, the auditor relies on the control activities and valuation of the risks of material misstatement at the assertion level (Țingău , 2007). Due to the fact that the external auditor determines the extent of the applied procedures based on the internal control, he must evaluate in advance how, internally, material misstatements are detected and the extent to which they are corrected.

Regarding the role he plays, the external auditor, in carrying out the assumed mission, through the steps he takes, contributes not only to the completion of the financial audit but also to influencing the environment of the enterprise (Gillet-Monjarret, 2022). Among the steps referred to is the assessment of internal control and internal audit. In the situation where the internal control is evaluated as operating at the necessary standards of professionalism and independence, the external auditor can reduce the area of the sample on which he will make the checks, as well as the extent of the applied procedures and his own controls. In the opposite case, when the internal control is missing or ineffective, the external auditor is forced to carry out his own controls, controls that must have a much greater analytical character compared to the situation where the internal control can provide a reasonable degree of assurance regarding the information audited.

Due to the importance of the role of the last filter in the way of fraud and misrepresentation of information, the level of independence that the external auditor has is crucial. The external audit is independent towards the entity's management, both in terms of external assessments and the general attitude towards the audit (Popescu et al., 2011). In order to maintain this degree of independence, conferred by the positioning in relation to the entity and its management, it is necessary to adopt measures that do not allow the development of relationships, other than professional, between the audit firm and the audited entity. As a result, both auditors and the audit firm should be rotated periodically - and in accordance to at least one auditing expert, this change ought to be made every three years (Hilb, 2005).

In conclusion, it can be stated that the role of the external auditor doubles that of the internal auditor in terms of the area of expertise, but also provides additional assurance regarding areas that the internal audit cannot certify due to the independence it demonstrates by the entity's management and the entity itself.

2. CONCLUSIONS

It is indisputable that the auditor's liability, both legal and professional, is increasingly well defined from a legal and practical point of view and is used with increasing frequency in contractual clauses. As we stated initially, in order not to destabilize the balance that the auditor

comes to bring to the corporate governance environment, it is necessary to have a reasoned correlation between the role of the auditor, his facts and the responsibility that rests on him.

External audit is one of the main pillars on which corporate governance currently rests. It can be seen that for companies, especially large ones, the external audit is not only a safety measure but also a source of prestige and image. It is crucial for companies listed on the stock exchange to be audited by a prestigious audit firm that can virtually verify the compliance of the company's financial results. The share price in the market can be easily influenced by a favorable audit report or not, so we can say that the external audit adds an element of buoyancy to companies at a time when economic storms are common (Tiron et al., 2018).

Trust is an important element in business relationships. The external audit is the element that provides mutual trust between managers and shareholders, assuring them of the veracity of the financial statements. Thus, shareholders will support managers in decision-making, while managers will satisfy the wishes of shareholders by developing the company with the help of effective corporate governance (Fülöp, 2012).

Having such an important role, it is natural that the responsibility and, implicitly, the responsibility of the auditor should be commensurate. However, it is important to keep a reasonable proportion of the liability that achieves its purpose, namely, that of providing certainty about the quality of the services provided by the auditor without, however, producing negative side effects by creating excessive pressure which, in the end, will result precisely in the non-fulfillment of the goal. Empirical studies have demonstrated that an excessive liability to which the auditor is exposed has adverse effects on the auditor's efficiency, on the freedom of reasoning, resulting in either the commission of accidental mistakes or the performance of a defective audit mission.

Between the auditors and the audited entities, this phenomenon of negotiation will persist, having as its object, on the one hand, the auditor's contractual obligations and their monetary compensation and, on the other hand, the auditor's liability in the event of non-fulfillment of the contractual obligations. It is very likely that this negotiation will not end, this being a favorable situation, this phenomenon having the potential to be a source for future regulations in the field of financial audit. What is crucial instead is that this negotiation has a cooperative character seeking advantages for both parties and that the negotiation space is around that level of accountability that helps both to achieve its finality or purpose and to create an environment that stimulates the auditor to maximize the quality of the audit services provided.

It can be stated, thus, that there is a strong relationship of causality and interdependence between the activity of professional accountants and the responsibility they have for the acts committed in connection with their professional activities. Liability analysis is of foremost importance due to the fact that it represents a genuine quality control tool for the services provided by accounting professionals, the limits of liability also constituting a guarantor of the certainty of the information provided by them. A vicious circle thus appears in which the obligations that professional accountants have determine the type and extent of liability, but at the same time the liability that can be incurred also determines the extent to which professional accountants assume certain obligations or even define them. This phenomenon will be continuously fueled by a game of negotiation between accounting professionals and the beneficiaries of the information provided by them, a game in which we believe that the most significant aspect is to identify economic entities and their stakeholders as the winners.

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METHODOLOGICAL SOLUTIONS FOR ANALYZING THE STRUCTURE OF MANAGEMENT INDICATORS IN TOURISM

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ABSTRACT: *The analysis of the structure and the respective changes that have occurred in the composition of economically complex performance indicators represents a constant opportunity for the management of commercial companies to substantiate both short-term and medium-to-long-term intervention decisions. The methodologies presented in this study provide a practical and scientifically grounded solution for achieving this goal, ensuring the formulation of consistent conclusions based on which administrators of economic and financial activities can correct unfavorable trends present in the dynamics of indicators that quantify economic results.*

Keywords: *tourism, Markov chain method, Average coefficient of structure change*

JEL Classification: *C63, L83, Z32*

1. INTRODUCTION

In the context of analyzing the dynamic and static situation of the indicators related to the physical and value-based volume of activities at the level of an economic entity, understanding the structure and structural changes is important. This is viewed through the lens of individualized component elements in sub-activities (production, trade, transportation, accommodation, leisure, catering, healthcare), as well as through the financial content of value-based indicators. It also considers the physical or assortment structure of economic activity outcomes, and the geographical location of economic activities within internal or international areas.

The objective of analysing the structure of management indicators is to highlight the magnitude and direction of changes that have occurred in the physical and value-based structure of economic results. It aims to identify the causes and consequences of structural changes on indicators of efficiency, financial performance, or economic and financial expression.

The methodology aimed at analyzing the structure of management indicators will be applied in the context of the activities of economic agents in the tourism sector, which exhibit distinct complexity. The utility of analyzing the structure of tourism services lies in the

imperatives of efficient management in the field of tourism. This involves adapting technical and environmental facilities to the requirements of service consumers, ensuring comfort facilities that align with tourist preferences, and diversifying the service offering under competitive qualitative conditions.

2. ANALYSIS OF THE REVENUE STRUCTURE USING THE 'PROFIT SPLIT METHOD'

In order to analyze the contribution of revenue obtained from different types of activities to the total change in turnover, we present the situation from Table 1 regarding the turnover achieved by a company providing tourist services

Table 1. The situation of the turnover achieved by a commercial company with tourism activity

Indicators	Base Period	Calculation Period	Deviations (±)
1. Total turnover (thousand lei) of which:	214.260	248.730	+34.470
2. Domestic tourism turnover (thousand lei)	154.000	178.500	+24.500
3. International tourism turnover (thousand lei)	60.260	70.230	+9.970

Source: made by the author

Using the "Profit Split Method," based on the statistical data presented in Table 1, it is observed that the total turnover realized in the calculation period exceeds that of the base period by 34,470 thousand lei, as a result of the increase in domestic tourism revenue by 24,500 thousand lei and international tourism revenue by 9,970 thousand lei. Each of these two influences will be assessed based on the possible causes that determined them, as well as the proportion that turnover by type of tourism represents in the total turnover.

Since the proportion of international tourism turnover in the total turnover for the calculation period (28.2%), $[(70,230/248,730) * 100 = 28.2\%]$, is lower than the proportion of the increase in international tourism turnover in the total increase (28.9%) $[(9,970/34,470) * 100 = 28.9\%]$, it is concluded that international tourism activity presents a structural advantage over domestic tourism.

This conclusion is further supported by the different magnitudes of the dynamics indicators calculated for the types of tourism:

- the dynamics index for domestic tourism turnover: 115.9%;
- The dynamics index for international tourism turnover: 116.5%.

The actions that can favor predominantly increasing the turnover from international tourism, which usually, due to the foreign exchange contribution it brings, demonstrates higher efficiency compared to domestic tourism, include:

- expanding or better utilizing the existing tourism capacity while ensuring appropriate functional conditions for all spaces and facilities;
- modernizing the tourist infrastructure and increasing the level of comfort;
- Implementing organizational improvements to meet the demands for promptness in providing tourism services, thereby enhancing the attractiveness for potential beneficiaries;
- training and professional development of all staff to cultivate a pronounced sense of politeness and attentiveness;

- increasing the complexity and quality of services;
- utilizing effective means of advertising the services and facilities offered.

3. THE ANALYSIS OF THE REVENUE STRUCTURE USING THE 'AVERAGE COEFFICIENT OF FULFILLMENT OF THE OPTIMAL OR PLANNED STRUCTURE OF SERVICES'

When aiming to quantify, through a synthetic numerical expression, the degree of deviation of the actual structure of services from an optimally precalculated or programmed structure based on estimated specific conditions, one proceeds to analyze the structure of tourism services using the '**Average Coefficient of Fulfillment of the Optimal or Planned Structure of Services**'.

The average coefficient of fulfillment of the optimal or planned structure of services (K_s) is determined as follows:

$$K_s = \frac{\text{The turnover achieved according to the optimal or programmed structure.}}{\text{The achieved turnover}} \cdot 100$$

The numerator of the ratio - *the turnover achieved according to the optimal or programmed structure* - is obtained by comparing the turnover achieved by types of activities with the recalculated turnover based on the optimal or programmed structure of component activities, following the principle of non-admittance of compensations.

The recalculated turnover based on the optimal or programmed structure is determined by applying the optimal or programmed proportion of turnover by types of activities to the total turnover achieved.

In the case of a perfect correspondence between the structure of the turnover by activities achieved and the precalculated (optimal or programmed) one, the average coefficient of fulfillment of the optimal or programmed structure of services is equal to unity or 100%, if expressed in percentage.

Any change that occurs in the structure of the tourism services provided, compared to the precalculated structure, due to the existence of different rhythms in achieving the optimal or programmed levels by types of activities, leads to a subunitary magnitude of the coefficient.

The exemplification of how to calculate and interpret this coefficient is done based on the data in Table 2.

Table 2. The situation of turnover by types of tourist services

Indicators	Programme	Achievements	Planned Structure of Turnover	Actual Structure of Turnover	Turnover Recalculated to Planned Structure	Turnover achieved according to the planned structure
Total turnover (thousand lei), of which:	800.000	740.000	1, 0000	1, 0000	740.000	709.200
– accommodation activity	416.000	400.000	0, 5200	0, 5405	384.800	384.800

Indicators	Programme	Achievements	Planned Structure of Turnover	Actual Structure of Turnover	Turnover Recalculated to Planned Structure	Turnover achieved according to the planned structure
– public catering activity	336.000	280.000	0, 4200	0, 3784	310.800	280.000
– other activities	48.000	60.000	0, 0600	0, 0811	44.400	44.400

Source: made by the author

Based on the data presented in table 2, it can be inferred:

$$K_s = \frac{709.200}{740.000} \cdot 100 = 95,8\%.$$

Therefore, the planned structure of tourism services was not fulfilled by 4.2%, considering a total turnover that was lower by 7.5%, $\left[\frac{740.000}{800.000} \cdot 100 - 100 = -7,5\% \right]$, compared to the planned level.

By types of activities, the turnover shows different dynamics indices, which have influenced the change in the overall turnover structure as follows:

- the turnover from accommodation activity was lower by 3.8% $\left[\frac{400.000}{416.000} \cdot 100 - 100 = -3,8\% \right]$, compared to the planned, a decrease lower than the level of total turnover non-fulfillment, which was -7.5%. This led to an increase in the proportion of this indicator from the planned 52.00% to the achieved 54.05%;
- the turnover from public catering activity recorded a decrease of 16.7%, $\left[\frac{280.000}{336.000} \cdot 100 - 100 = -16,7\% \right]$, which significantly exceeds the average level of non-fulfillment of turnover (-7.5%), resulting in a decrease in the proportion of turnover for this activity, from the planned 42.00% to the achieved 37.84%;
- Lastly, the turnover related to other activities shows an exceeding of 25.0%, $\left[\frac{60.000}{48.000} \cdot 100 - 100 = +25,0\% \right]$, compared to the planned level, thus resulting in an increase in the proportion of this turnover from the planned 6.00% to the achieved 8.11%.

The change in the structure of services provided compared to the programmed structure can only occur within certain limits, as it is closely interdependent with the structure of the capacity to offer tourist services.

An identical structural analysis, from a methodological standpoint, can also be carried out for the turnover in accommodation activity differentiated by categories of comfort.

The non-compliance with the optimal or programmed structure of revenues by types of activities can influence the total level of turnover, the expenses incurred per 1000 lei of turnover, as well as the profitability of the company's overall operations. This is due to the

disparities that exist in the magnitude of revenues and expenses per physical unit of service provided.

If necessary, one can also proceed to understand the change in the structure of production indicators in terms of types of products or assortments manufactured. This can provide management with some useful explanatory elements regarding the financial state of the company.

4. THE ANALYSIS OF THE STRUCTURE OF VALUE ADDED USING THE 'AVERAGE COEFFICIENT OF STRUCTURE CHANGE'

When analyzing a value-based indicator, such as value added related to turnover, from the perspective of its financial structure, a similar methodology to the ones presented earlier is applied.

For illustration, we will use the "*Average Coefficient of Structure Change*" method, employing the conventional scenario from Table 3.

The average coefficient of change in the financial structure of value added in the calculation period, compared to the base period (K_s), is in this case 97.9%:

$$K_s = \frac{347.695}{355.200} \cdot 100 = 97,9\%.$$

The value of the coefficient " K_s " allows us to appreciate that there is a certain structural difference in the value added between the two compared periods, but the deviation of 2.1% for this difference is relatively small ($100.0\% - 97.9\% = 2.1\%$). However, there are noticeable unfavourable structural shifts regarding personnel expenses, with their share increasing by 1.8 percentage points ($82.1\% - 80.3\% = + 1.8\%$) simultaneously with a decrease in the share of operating profit associated with the indicator used to calculate value added, by 2.1 percentage points ($15.3\% - 17.4\% = - 2.1\%$).

Table 3. The financial structure of added value

Indicators	Achieved in the base period.	Achieved in the current calculation period	Structure of value added in the base period (%)	Structure of value added in the current period (%)	The value added achieved in the current period recalculated to the structure of the base period.	The value added achieved in the current period according to the structure of the base period.
Value added (thousand lei), of which:	312.400	355.200	100,0	100,0	355.200	347.695
– Personnel expenses	250.700	291.600	80,3	82,1	285.226	285.226
– Adjustments related to tangible and intangible fixed assets	5.400	6.800	1,7	1,9	6.038	6.038
– Expenses for other taxes, duties, and similar charges	1.800	2.500	0,6	0,7	2.131	2.131
– Operating profit related to the indicator based on which value added (turnover) was calculated	54.500	54.300	17,4	15,3	61.805	54.300

Source: made by the author

5. ANALYSIS OF THE STRUCTURE AND PREDICTION OF THE TURNOVER STRUCTURE USING THE "MARKOV CHAIN METHOD"

For the analysis and prediction of changes in the structure of complex indicators, the "Markov Chain Method" is often employed. This method is based on the logic of probabilistic dependence of the structure of complex indicators observed in a specific time interval on the structure in the preceding time interval. With this purpose in mind, we will present the methodology for analyzing the changes in the structure of turnover over the course of three successive years and forecasting the turnover structure in the next time interval (year 4) for three categories of activities, using the data from Table 4. Since structural changes are more prominently noticeable over longer time intervals, calculations may also take into account structural states of complex indicators located at distances of 3, 4 or 5 years.

Table 4. The dynamics of the turnover structure by types of activities

Indicators	The turnover structure (%)		
	Year 1	Year 2	Year 3
Total turnover, of which:	100, 00	100, 00	100, 00
a) accommodation activity	42, 60	56, 10	54, 05
b) public catering activity	52, 28	40, 08	37, 84
c) other activities	5, 12	3, 82	8, 11

Source: made by the author

The preliminary stages of calculating the predictive structure involve determining a number of $n - 1$ transition matrices (in our case: $3 - 1 = 2$), as follows:

*I * The transition matrix (1) is calculated, which expresses the change in the structure of turnover by activities from year 1 to year 2:*

Transition matrix (1)

	a	b	c	Year 1	Decreases in year 2 compared to year 1:
a	42, 60			42, 60	
b	12, 20	40, 08		52, 28	12, 20
c	1, 30		3, 82	5, 12	1, 30
Year 2	56, 10	40, 08	3, 82	100, 00	
Increases in year 2 compared to year 1:	13, 50				

Note: To simplify the representation of transition matrices, the following notations were used in the table for the types of activities contributing to the turnover: a) for accommodation activity; b) for public catering activity; and c) for other types of activities.

At the intersection of the rows and columns for the three types of activities, the smallest value of the turnover share is recorded, obtaining the "diagonal of fidelity". Next, the relative structural sizes from the column - year and the row - year 2 are compared with those on the

diagonal of fidelity, noting the differences within the matrix. This is done in order to verify the totals for the three states horizontally and vertically

Therefore, it is observed that the share of turnover from accommodation activity increased by 13.50 percentage points in year 2 compared to year 1, at the expense of a decrease in the share of turnover from public catering activity by 12.20 percentage points and a 1.30 percentage point increase in the share of turnover from other activities.

*II * The transition matrix (2) is calculated, which expresses the change in the structure of turnover in year 3 compared to year 2:*

Transition matrix (2)

	a	b	c	Year 2	Decreases in year 3 compared to year 2:
a	54, 05		2, 05	56, 10	2, 05
b		37, 84	2, 24	40, 08	2, 24
c			3, 82	3, 82	
Year3	54, 05	37, 84	8, 11	100, 00	
Increases in year 3 compared to year 2:			4, 29		

The second transition matrix highlights that in year 3 compared to year 2, the proportion of turnover from other activities increased by 4.29 percentage points, while the proportion of turnover generated from accommodation and public catering activities decreased by 2.05 and 2.24 percentage points, respectively.

*III * With the successive transition matrices known, in the next stage of calculations, the total transition matrix is determined by adding the elements from transition matrices (1) and (2).*

Total transition matrix

	a	b	c	Total
a	96, 65		2, 05	98, 70
b	12, 20	77, 92	2, 24	92, 36
c	1, 30		7, 64	8, 94
Total:	110, 15	77, 92	11, 93	200, 00

Since the diagonal of fidelity was disturbed, over the course of the three years analyzed, in contradicting directions of change in the turnover structure, as shown by transition matrices (1) and (2), in the total transition matrix, the diagonal of fidelity is no longer constituted by the smallest elements of the totals written on the row and column.

It is noted that the existence of the smallest values on the diagonal of fidelity in the total transition matrix is only possible in the case of a dynamic with a consistent direction of change in the relative structural sizes.

*IV * The matrix of transition probabilities is calculated by relating each element in the*

row to the total of the row (for increased projection precision, the results of the ratios will be recorded with at least five decimal places).

$$\begin{Bmatrix} 0,97923 & 0,00000 & 0,02077 \\ 0,13209 & 0,84366 & 0,02425 \\ 0,14542 & 0,00000 & 0,85458 \end{Bmatrix}$$

*V * The projection of the turnover structure in year 4 for three types of activities is calculated by multiplying the transpose of the matrix of transition probabilities by the vector of relative structural sizes from the last year of the analyzed period (year 3).*

$$\begin{Bmatrix} 0,97923 & 0,13209 & 0,14542 \\ 0,00000 & 0,84366 & 0,00000 \\ 0,02077 & 0,02425 & 0,85458 \end{Bmatrix} \cdot \begin{Bmatrix} 54,05 \\ 37,84 \\ 8,11 \end{Bmatrix} = \begin{Bmatrix} 59,11 \\ 31,92 \\ 8,97 \end{Bmatrix}$$

The calculation of the projected structure vector was performed as follows:

$$\begin{aligned} (0,97923 \times 54,05) + (0,13209 \times 37,84) + (0,14542 \times 8,11) &= 59,11 \\ (0,00000 \times 54,05) + (0,84366 \times 37,84) + (0,00000 \times 8,11) &= 31,92 \\ (0,02077 \times 54,05) + (0,02425 \times 37,84) + (0,85458 \times 8,11) &= 8,97 \end{aligned}$$

Based on the obtained results, it is projected that in year 4, the turnover structure by activities will be as follows: 59.11% from accommodation, 31.92% from public catering, and 8.97% from other activities.

IN CONCLUSION: estimating the future structure of turnover by activities provides managers with the decision-making support for conducting general actions related to the procurement of necessary material resources, as well as for the modernization or development of technical facilities associated with activities whose share is predictably increasing.

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OUTLINES REGARDING THE ORGANIZATIONAL POLICY OF COST CENTER MANAGEMENT

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Abstract: *The cost center represents one of the most important responsibility centers and its manager is mostly responsible for achieving operational efficiency and minimizing product costs. Across all company units, cost centers are operated for various accounting and control purposes, such as: classification, planning and allocation objects. This study brings a theoretical and practical contribution to the general considerations of cost center management and state through a feasible example, the influence of the cost center tariff as a support in the make or buy decision.*

Keywords: *cost center, cost center tariff, managerial decision, cost allocation, make or buy*

JEL Classification: *M11, D24, 61, D81*

1. INTRODUCTION

The importance of better analytics and decentralization of decision-making is increasing in today's fast-paced, complex business operations. Responsibility accounting was introduced to meet the need for decentralization, accurate information and cost analysis. Understanding the relationship between responsibility centers provides an organized flow of information that can improve decision making and cost control (Iffat M. et al., 2018).

The measurement of managers' performance depends on the level of responsibility and a system for measuring it involves structuring the organization in responsibility centers, thus distinguishing three main types of centers: cost, profit and investment (Briciu S. et al., 2012).

In the past decade, there have been several studies on the international diffusion of responsibility accounting implementation. For example, Fowzia R. (2011) studied the usage and satisfaction level of service organizations in Bangladesh and found that three factors determine the resulting satisfaction level, namely: attribution of responsibility, performance measurement technique and reward system. In Uganda universities, the application of responsibility center accounting has been found to increase efficiency and create more satisfaction in decision making (Owino P. et al., 2016).

Another recent research result on the subject came from Vietnam, where Tuan T. (2017) investigated textile manufacturing organizations regarding the level of application of responsibility center accounting. The author used different criteria to define medium and high usage levels of responsibility center accounting and concluded that it was not properly applied among textile manufacturing organizations in Vietnam.

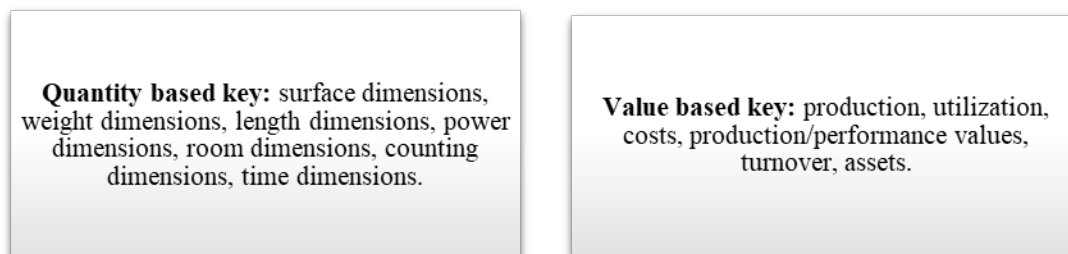
The cost center represents one of the most important responsibility centers and its manager is mostly responsible for achieving operational efficiency and minimizing product costs. Across all company units, cost centers are operated for various accounting and control purposes, such as: classification, planning and allocation objects.

The allocation of a company's expenses or costs to cost centers is based on where the costs originate or activities are performed, where the costs are incurred, and based on the purpose of the allocation.

If it is desired to accurately assign overhead costs to individual products, services, it must further allocate costs to those cost centers directly involved in creating the products or services. From these cost centers different methods can then be used to assign activities and costs to relevant products, services and market segments.

Quantitative or value-based keys are used to distribute costs:

Figure 1. Cost center accounting – organization goals

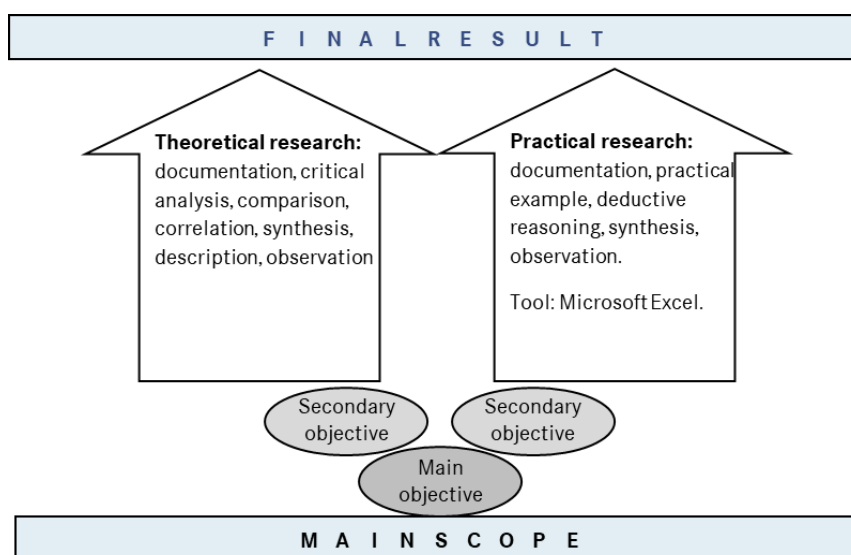


Source: Own processing

This study brings a theoretical and practical contribution to the general considerations of cost center management and state through a feasible example, the influence of the cost center tariff as a support in the make or buy decision.

The multivalence of the studied phenomenon denotes the obligation of an appropriate methodological approach, combining fundamental and quantitative research through modern and classic research tools. The methodological framework is built based on two components and they are arranged schematically as follows:

Figure 2. Methodological framework



Source: Own processing

The scientific approach brings to the fore the analysis of the accounting context by responsibility centers and the presentation of general aspects regarding the organizational policy of cost center management. From the theoretical point of view, the motivation for

choosing the research theme is proven by the desire to determine the understanding regarding the organizational policy on cost centers. According to the literature review, we can have observed that the level of scientific research in this field is not as popularized as other subjects in the field of managerial accounting research.

Across all company units, cost centers are operated for various accounting and control purposes, such as: classification, planning and allocation objects. This study brings a theoretical and practical contribution to the general considerations of cost center management and state through a feasible example, the influence of the cost center tariff as a support in the make or buy decision.

2. ORGANIZATIONAL POLICY OF COST CENTER MANAGEMENT

A responsibility center is a unit or subunit of an organization. According to the specialized literature, there are four main types of responsibility centers: cost, revenue, profit and investment; all these centers being closely connected and requiring the communication of decisions to function smoothly.

The cost center represents one of the most important responsibility centers and its manager is usually responsible for achieving operational efficiency, minimizing product cost and maximizing efficiency. A cost center is a location of production or service, function, activity or equipment whose costs can be assigned to cost units (CIMA - Chartered Institute of Management Accountants - cimaglobal.com).

The main object of costing is the analysis of financial records to subdivide expenses, carefully allocate them to selected cost centers, and thereby build a total cost for the departments or processes of the enterprise. From a business perspective, managing cost centers includes setting up, modifying and validating them and internal approval processes are required for this. The relevant department is responsible for cost center administration.

Cost centers are part of the master data in Controlling and are therefore subject to special requirements and regulations; therefore, they depend on the consistency and availability of relevant information. Cost centers are managed in a cost center directory, usually based on the system and a cost center classification.

To cover the cost accounting control function, each cost center must be an independent area of responsibility. This means that the tasks or scope of work for cost centers must be clearly defined and separated from each other. It is also used to determine an appropriate activity type as a cost causality measure and to assign correctly to functional areas. Responsibility accounting refers to the authority given to managers responsible for cost control, holding them accountable for the costs of their operations.

The cost center responsible (eg group or head of department) should be able to influence costs through his actions or decisions. For this reason, a relatively large number of cost centers are usually formed in the production area of an industrial company, while the number of cost centers in the administration area is quite small (Reichhardt M., 2019).

Large organizations typically have many departments and centers, with complex day-to-day operations; thus, responsibility accounting may not be as useful in small organizations as it is in large ones (Biswas, T., 2017).

Because this action is burdensome, responsibility centers are needed. It is a combination of cost accounting and managerial accounting, and cost accounting is the core of organizational activity, starting from the basic recording of financial transactions to the generation of complex cost reports.

In general, there is a conflict of objectives between detailed information on the one hand and a high level of administrative effort and complexity on the other. Many cost centers

represent a high administrative effort (due to cost budget planning, target discussions, cost control, etc.), but this is compensated by higher calculation accuracy and better cost control.

Making practical decisions requires proper cost reports and these decisions affect all users. Their results are reflected in financial statements prepared in accordance with generally accepted accounting principles and International Accounting Standards (IAS).

Responsibility center accounting is closely related to cost accounting because cost accounting must assign responsibility for expenditures. The responsibility accounting system depends on the interrelationship between the accounting and the information system and the organizational structure of the company (Tran V. et al 2022).

Certain influencing factors (for example, the cost accounting system used, central and/or company-specific accounting and control requirements) must be taken into account when creating cost centers. If these factors are ignored, insufficient overhead rates could lead to miscalculations of costs and therefore wrong decisions.

The cost accounting system used influences the establishment of cost centers so that when standard costing is used, special requirements apply to the establishment of cost centers in terms of planning and control. Within a cost center, there should always be a clear relationship between the costs incurred and the activities performed. This allows the determination of an appropriate activity type for the cost center, which represents a proportional relationship between variable costs and the activities performed.

Cost control requirements, calculation accuracy, and other factors also influence the creation of cost centers. Cost centers are primarily used for planning, controlling and allocating overhead costs to services/products provided. Therefore, when creating cost centers, the requirements for the informative value of cost controls (plan/actual comparison) and calculation accuracy play a key role. There are other influential factors (eg, production processes, product range) for creating cost centers. These influencing factors or requirements define the aggregation/allocation of work methods, activities and resources (eg machines) to cost centers and therefore affect the level of differentiation for the cost center structure.

A company's cost centers are objects used for various accounting and control purposes (for example, for cost center accounting, calculation) in all company units (materials management, production, research and development, sales, administration). Cost centers are used for the structured recognition or allocation of services rendered in a company and the related resource consumption (eg material consumption, depreciation) or expenses. To cover the cost accounting control function, each cost center must be an independent area of responsibility.

Since the costs incurred by the organization should be transparent, cost center accounting is used for control purposes within it; thus enabling the verification of the profitability of individual functional areas and providing the necessary data for management decision-making. This requires that all costs be allocated according to their source. However, source-related attribution is particularly difficult for overhead costs.

Company departments or units are generally where the costs originate. A cost center can consist of one or more departments. For planning and control reasons, a department can also be divided into work areas (eg groups of identical machines). Each job can then be assigned its own cost center.

For certain control purposes, project cost centers can also be established. This is necessary, for example, if there are no special account assignment objects as part of a project's accounting to show project costs.

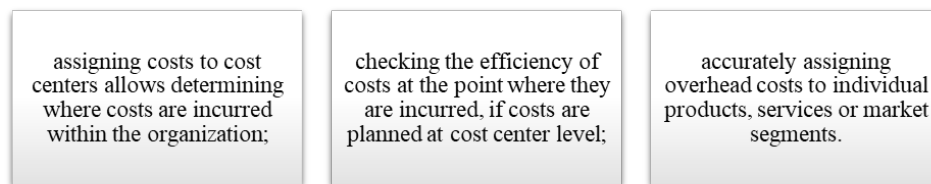
In the case of assignment by location where costs are caused, it is noted that the locations are different from where the costs originate and where the costs are caused, the final assignment of costs must be made to the cost generating objects (e.g. other cost centers, cost units) using the internal assignment of the activity.

In some cases (for example, for efficiency), costs cannot or should not be entered directly where they originate, where services are performed, or where costs are incurred. In these cases, the appropriate cost centers must be established for allocation purposes. This avoids unsafe links in account assignment. For example, the energy costs for a unit are not recorded by the department because of the amount of work involved. Therefore, a unit cost center is established in the unit to record regularly occurring energy costs. Using internal activity allocation and an appropriate allocation key, these energy costs are distributed or further allocated as primary costs to consuming cost centers.

A cost center can consist of one or more departments. For planning and control reasons, a department can also be divided into work areas (eg groups of identical machines). Each job can then be assigned its own cost center. For certain control purposes, project cost centers can also be established.

Dividing an organization into cost centers allows you to pursue multiple goals:

Figure 3. Cost center accounting – organization goals



Source: Own processing

Cost centers can be classified as follows:

- Productive, non-productive and mixed cost centers;
- Personal and impersonal cost center;
- Operation and process cost center.

Productive cost centers are those that are actually engaged in manufacturing products. Non-productive cost centers do not make the products, but are essential aids to the productive centers. Mixed cost centers are those that are employed some on productive lines and others on service works. A personal cost center consists of an individual or a group of individuals. An impersonal cost center is one that consists of a department, plant or equipment (or group). Where a cost center consists of those machines and/or people performing the same operation, it is called an operating cost center. If a cost center consists of a continuous sequence of operations, it is called a process cost center.

Determining an appropriate cost center is very important for establishing and controlling costs and the manager in charge of a cost center is responsible for controlling the cost of his cost center.

3. PRACTICAL EXAMPLE REGARDING THE INFLUENCE OF THE TARIFF RELATED TO A COST CENTER ON MANAGERIAL DECISIONS

The following analysis starts from the improvement of a technical process, respectively the calibration of the existing measuring devices by assembling a calibration system on a fixed base plate and creating a single cycle calibration program. For the economy calculation, we should consider the costs related to a cost center, consisting of all the expenses reported for one year, resulted in the tariff per cost center, the value of the investment needed for implementation and the saving in time which can result from the implementation.

The following Table represents the initial cost center tariff (before applying the assumptions of savings due to the changes made on the technical process), the tariff according to the economy made and the tariff scenario according to the investment. We can observe from the resulting calculations with the initial premises, that the hourly rate for the respective cost center is 34 €/h.

Table 1. Methodological framework

Indicators	Values €
Indirect personnel tariff	7
Tariff current costs	3
Depreciation tariff	11
Maintenance tariff	3
Energy tariff	2
Building tariff	3
IT tariff	3
Administration tariff	2
Initial tariff	34
Recalculated tariff acc. to the economy	31
Recalculated tariff acc. to the investment	36

Source: Own processing

In order to be able to determine the total savings achieved due to technical process improvements, we have to take into consideration the time that can be saved through this implementation:

- The total time of calibration before the process improvement = 68 min
- The total time of calibration after the process improvement = 44 min
- Time saved during 3 working shifts = 72 min/day

Notable is the fact that the improvement can be done internally or performed by a supplier. In Table 1 we can observe the difference between each scenario. The cost center tariff recalculated taking into account the investment, is 16% higher compared with the tariff in case of the improvement will be done internally. The tariff based on the process improvement is - 9% less compared with the initial tariff, due to process automatization thought one single cycle calibration.

According to the offer received from the supplier, the investment requires to purchase a new reference fixing table, in total of 20.000 EUR. If the management decide that the process improvement should be performed internally, a trained employee can assemble an existing fixing plate, dismantled from a fully depreciated and out of use measuring machine. Thus, the investment for the change that occurred is null, avoiding the increase of the tariff per cost center.

Analyzing the economy from a tariff point of view, by avoiding additional investment costs allows managers not only to allocate funds for the development of other projects, but also reduces the blocking of cash flow. Also, avoiding the capitalization of costs by contracting an external company or an external supplier results in reducing the risk of diminishing cash availability. Therefore, in this practical situation, the management decision regarding the technical process improvement was influenced by cost center tariff in order to “make” and not to “buy”.

The existence of means of saving is essential in any production activity, be it small or large scale, as these actions are necessary for increasing the market competitiveness of a

production company, the economic and technical evolution of the implemented, existing processes, but also the stimulation innovation and development from a technical point of view, of available working means.

4. CONCLUSIONS

In recent years, management accounting has become more relevant to the needs of modern corporations. To accommodate these changes in management accounting practice, teaching and research in the field have similarly changed. Traditional approaches, developed for the large corporations that emerged in the early part of the 20th century, have proven inadequate for today's global and technological environment. Academics have turned to research field in order to discover the new techniques developed and implemented by successful organizations.

New approaches focus on improving the information provided to managers and employees about their organizations and paying more attention to the design of information and control systems. Different authors have looked at responsibility accounting from different perspectives, but they have agreed on a common concept: controllability with authority and responsibility.

Based on the literature review, some studies focused on cost controllability, responsibility centers, the budgeting process and the relationship of responsibility accounting and analyzed the relationship of responsibility accounting with cost accounting and managerial accounting, focusing on the relationships between responsibility centers. cost that are used in all business functions of a company.

Managerial accounting has been greatly affected by the remarkable improvements in the computer technology sector. Today's technology allows management to track overall performance information that builds on the cost-based information of traditional systems.

The main concepts of managerial accounting include monitoring as well as predicting costs. These consist of cost collection, analysis and evaluation. It is necessary to develop managerial accounting to allow greater accuracy of accounting information and to favor the development of information systems that had better adapt to the needs of users, thus supporting managers in making strategic decisions of the company. Representing a system of collecting, measuring and exploiting financial data, with a guiding role in management activity, managerial accounting develops and supports the indispensable values for achieving the company's strategic objectives.

At organizations level, the knowledge and understanding of production costs is important for at least two reasons: providing information necessary to identify actions to make the organization's activity more efficient and information necessary for the management of the organization that is the basis for substantiating decisions. As classification objects, they structure the operating expenses and revenues related to the (generally non-revenue) cost center for a company. As planning objects cost centers are used to plan e.g. capacity, quantities, costs, cost rates.

As allocation objects, they are used to allocate internally performed activities to the cost/activity beneficiary as part of the internal activity allocation.

Responsibility accounting is a combination of cost accounting and managerial accounting, and cost accounting is the core of organizational activity, starting from the basic recording of financial transactions to the generation of complex cost reports (Iffat M. et al., 2018).

Cost center accounting can be found between cost type and cost unit accounting as part of internal accounting. With cost center accounting, costs are (as far as possible) allocated to the appropriate cost center based on their cause.

While individual costs can be assigned directly to the cost unit, overall costs must be allocated to their respective cost centers using an allocation key via the cost accounting sheet. Cost center accounting provides the results, which should certainly be considered in subsequent cost unit accounting for the purpose of a commercially reasonable pre/post or interim calculation. With cost unit accounting, total costs are then assigned to the cost generator within cost unit or time unit accounting.

The aspects of saving can be approached from several perspectives when a technical improvement of a machine is required, an economic analysis being necessary that must include all the cost elements.

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