

"COSTS - PRICES" RELATION IN THE ECONOMIC AND FINANCIAL MECHANISM OF INTEGRATED UNITS

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The management strategy of any businesses in the agricultural field (including those that are integrated) should be based on analysis of the "cost-price" relationship covering the goods and services that they offer the competitive market.

In this context, managers must have an information system able to permanently provide training and development - related costs, structure and factors of influence, the size of direct, but also the indirect expenditures. At the same time, managers are interested in the possibilities of covering the costs through the use of prices, and correlated with the degree of utility of the product and service offered on the market, the penetration pricing strategy is to promote alternative prices, responding to consumer demand and linked to their purchasing power.

The authors also highlighted the influence of exogenous factors that have led to increased expenses, from which the biggest part was the financial expenditure represented by the interest payment incurred by the enterprise and unfavorable exchange rate differences.

The negative effect of these financial charges could be the analysis of results since 2008, when operating profit could not cover financial losses, with the unit had with a rate of 1.19%.

Key words: costs, pricing mechanism economic integration

Strategic cost management is the result of combining the following ingredients: value chain analysis, strategic positioning analysis, cost analysis sources.

The concept of "value chain" consists of detailing the various stages of developing a product or service corresponding to a particular area. This is considered to be the most relevant method of effective cost management designed to maximize the difference between input and output (maximization of added value).

The concept of strategic positioning refers to the role of the "cost-price" relationship management of an enterprise. This strategy is based on the rule that the most competitive is the lowest cost or, in other words, minimizing the cost is based on its competitive advantage, which allows obtaining advantageous prices.

To target a certain competitiveness, the unit must control the costs and prices in the "Profit and Loss" statement. The art of strategy consists in bringing to the activities of each enterprise a decisive competitive advantage, that is decisive and sustainable.

In the decision making process, accounting management seeks to provide managers with the necessary information to take decisions in conditions of certainty.

Deployment decision process involves consumption of human resources, material, information. From this standpoint, the decision is similar to the production of goods and services, it requires certain costs and implementation through practical "cost-price" relationship to obtaining profits. That is why, in the decision making process managers should be based on an analysis of development costs and tariffs, and price, which should correlate with the quality and usefulness of goods and services available on the market, issues that are relevant to the choice or option.

MATERIAL AND METHOD

The study was conducted at SC Meat Industrialization Kosarom SA PASCANII and aimed to analyze the overall "cost-price" relationship management strategy and the factors of influence on economic and financial results.

The authors show in detail the contents, classification and structure costs, production expenses and production structure, the sales prices (the decision to price, pricing strategy, price targets, strategic alternatives for the price), revenues and 1000 lei income - expenses.

RESULTS AND DISCUSSIONS

The reduction of production costs is a priority objective of the undertaking, which requires detailed analysis of costs to compete in the formation of unit costs of production, study effectiveness and analyze the relationship between production costs and volume of activity.

The production cost depends on the purchase of factors in the markets where it negotiates labor, capital, raw materials and price.

The company's central objective is to optimize the consumption of resources so that production cost to a minimum to achieve maximum profitability.

Direct production costs, known as individual distinguish expenditure, can be individually and unambiguously attributed to a product, service or activity consuming resources and producing results: consumption of raw materials, direct wages, wage rates.

Indirect costs are costs defined by product, service or activity through an intermediary account sharing. To calculate and manage their business costs, direct and indirect costs develop calculation articles. Calculation articles are items of expenditure to the same destination or function in the economic management of the company (production, administration, commercial, financial).

In 2008, total expenditure realised by SC Meat Industrialization Kosarom SA Pascani exceeded 115.1 million lei, with the following structure (Table 1).

Analysis of data submitted to ascertain the following:

- Total expenses increased in 2008 to 33.5% comparing to the previous year;
- Increased interest expense by 2.4 times and spending with differences being unfavorable, 1, 96 times;
- Increasing spending by local taxes of 1.86 times, the costs of transport of 2.35 times, with energy costs, water and methane gas by 1.53 times, with wages personnel costs, the 1.63 or so;
- Expenditure reductions were made to tax, costs of studies and research, with an inventory of objects and unstocked materials;
- Of the 27 items of expenditure, 22 have been increase over 2007. In 2008, expenditure on the recovery of end products was as follows (*figure 1*).

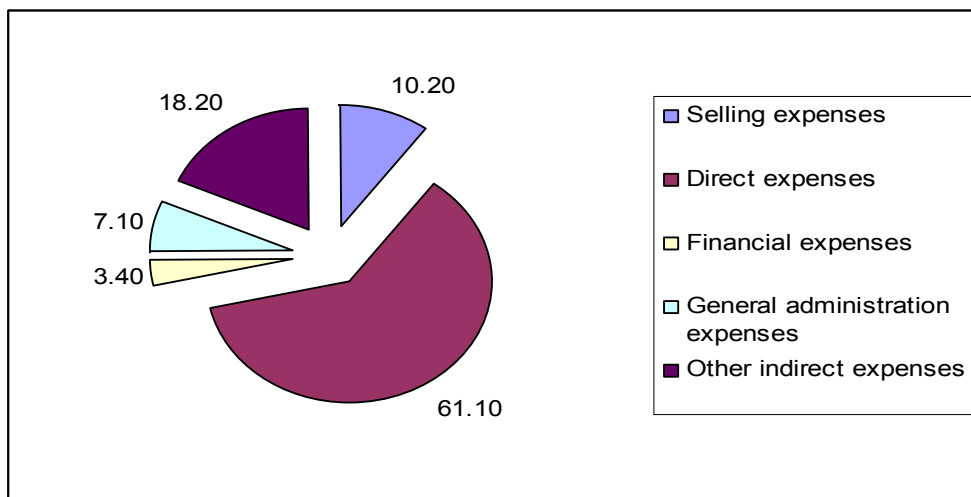


Figure 1 **Total expenses of final product capitalization structure at S.C. Meat Industrialization "KOSAROM" S.A. PAȘCANI, in 2008 - %**

Price is the value of a good or service, for both seller and buyer. The price of a product is influenced and in turn it may affect many variables during the marketing planning process.

Factors that influence pricing decisions were grouped by PH. Kotler on internal factors and external company (*figure 2*).

Table 1

**Total expenses at S.C. Meat Industrialization "KOSAROM" S.A. PAȘCANI
in 2007- 2008**

Nr. crt.	Expenses elements	Total expenses – thousands lei		% /2007
		2007	2008	
1.	Raw materials expenses	47197,5	58.595,0	124,1
2.	Auxiliary materials expenses	4492,4	6.567,1	146,2
3.	Inventory items expenses	454,1	291,5	64,2
4.	Unstocked materials expenses	171,6	103,8	60,5
5.	Energy, water, gas expenses	1599,9	2.446,3	152,9
6.	Merchandise expenses	8121,4	9.248,5	113,9
7.	Third party reparations expenses	518,8	663,5	127,9
8.	Rent expenses	270,2	483,0	178,8
9.	Insurance expenses	471,5	471,0	99,9
10.	Studies and research expenses	153,1	42,6	27,8
11.	Charges and fees expenses	9,8	355,9	3631,6
12.	Advertising and protocol expenses	1534,0	1.802,1	117,5
13.	Goods and personnel expenses	43,0	101,2	235,3
14.	Travelling expenses	136,5	260,7	191,0
15.	Mail and telecommunications expenses	274,5	358,1	130,5
16.	Third party services expenses	1994,8	2.436,8	122,2
17.	National and local taxes expenses	383,5	714,9	186,4
18.	Personnel salaries expenses	7299,5	11.924,4	163,4
19.	Meal tickets expenses	698,8	946,5	135,4
20.	Social insurance expenses	2320,5	3.350,7	144,4
21.	Other exploitation expenses	377,2	2.637,4	699,2
22.	Unfavourable exchange rate differences	1414,0	2.766,8	195,7
23.	Interest expenses	1157,8	2.765,4	238,8
24.	Discount expenses	375,7	957,0	254,7
25.	Other financial expenses	137,3	535,4	389,9
26.	Absorptions	2925,2	3.592,4	122,8
27.	Profit tax	421,4	4,6	1,1
TOTAL EXPENSES		84762,1	115134,9	133,5

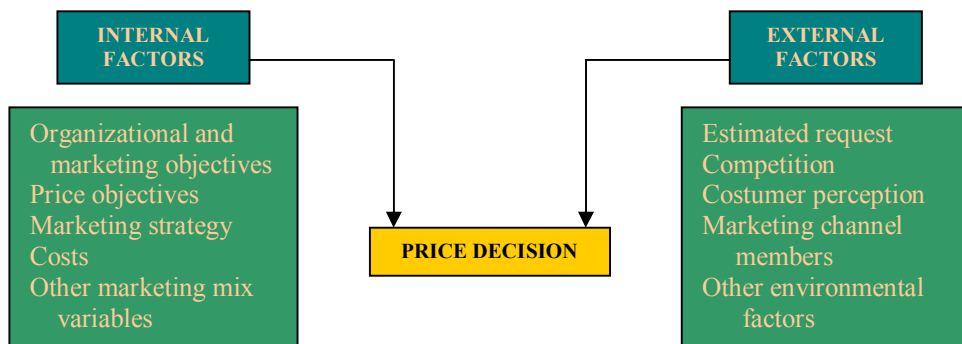


Figure 2 **Factors that influence price decision**

All these factors are taken into account in determining the price of a good or service, having a role in the deployment planning phase price strategy.

Cost is one of the factors in determining prices. To establishment of prices must be different costs taken into account, as the costs of research - development costs for salaries, distribution costs etc..

The price of a product will be higher, so consumers will be less willing to buy, the price will be lower, the greater will be the amount required of it. From here we can deduce that low prices bring new customers. On the other hand, most sellers (suppliers) are aware that at some point, to stimulate sales, cannot be achieved only due to price reductions. Each price reduction will correspond to the market with a different quantity of sold products. So, as a general rule, the quantity required in the market will increase at each price reduction. But the degree to which the quantity sold of a certain product is amended every price reduction varies from one product to another.

Environmental factors that influence the price of a product are equally diverse:

- economic factors: inflation, recession, the Griffen 28 (in periods of crisis-oriented buyers are only for current use goods and to durable goods).
- political factors - legal: fiscal policy, regulations on pricing and price reductions.
- technological factors: sophisticated payment method, the variables distribution.
- social and cultural factors: the value assigned, feel-good factor, Veblen effect (effect of snobbery, that a high price may certify membership in a particular social group).

The process of developing an effective price strategy should cover several stages (*figure 3*). Before you determine the price for a product, an enterprise should determine the role that price plays in the marketing strategy.

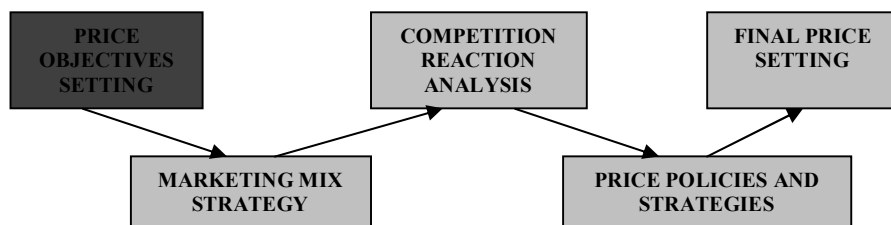


Figure 3 Price strategy establishment

Target price is that the purpose is to reach it by the price strategy, which should aim to harmonize with the overall objectives of the enterprise. For example, if the main objective of the company is to become a leader in a market by pricing strategy will determine the objectives necessary to achieve the overall objective. Objectives of price strategy may be numerous, the most important being presented schematically in *figure 4*:

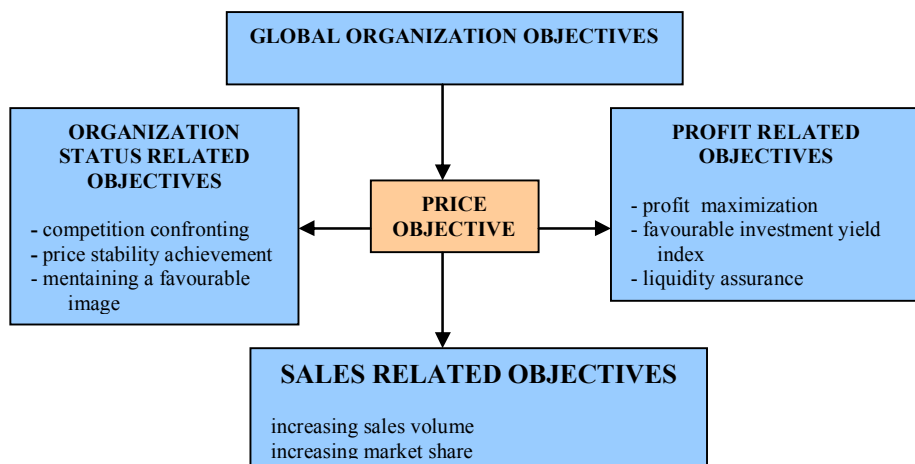


Figure 4 Main objectives of the price establishment

- | | |
|-----------------------------------|----------------------------------|
| 1. maximize profits | 5. discourage competition |
| 2. an index return on investment | 6. price of a product or service |
| 3. achieve a certain market share | 7. distribution |
| 4. stabilize prices | 8. promotion. |

In addition to these endogenous factors, in the process of determining prices for a new product or price changes to some existing products, the unit should take into account the reaction of competitors to the action. Typically, in terms of price, any strategy has the following response: to keep the price at the same level, decrease it a little, the price decrease at the lowest price charged for a similar product, to adopt an offensive strategy based coupons, discounts, higher volumes at the same price.

How the pricing varies from one enterprise to another. Some businesses are simply the market price, so take into account only the influence of competition on pricing strategy choice, while others determine the cost of product and according to the established price.

Another factor is generally taken into account in determining the price of a product is registered demand for the product. In the case of two identical products, consumers will choose the cheapest. The price imposed by a higher, the lower the chances that the product is chosen by many consumers. In setting the price, it can orient the costs after application and after the competition.

After a price was set in place the marketing mix, the marketer can develop a pricing strategy based on objectives. The best known variant strategic price that a company can use are: "price leader" strategy; "price tracker" strategy, reduced price (predatory pricing) strategy, "price skimming" strategy, penetration pricing strategy. In addition to these strategies, the marketer will decide which policy will be the price for each product or product line, established a so-called list price. List price includes both the basic prices for the products offered and the price reductions, special agreements, loans and sales rates, various methods used to attract more buyers. Pricing is a business income determinants (*table 2*).

Table 2

**Income variation at S.C. MEAT INDUSTRIALIZATION "KOSAROM" S.A. PAȘCANI
between 2007- 2008**

Denumire indicatori	Venituri totale – mii lei		% /2007	% din total
	2007	2008		
Venituri din exploatare - total	87.079,1	112.562,2	129,3	98,9
Venituri financiare - total	222,0	1.202,0	541,4	1,1
Total venituri	87301,1	113764,2	130,3	100,0

In 2008, at SC Meat Industrialization Kosarom SA Pascani, compared with 2007, the "cost-price" relationship was negative, meaning that if the costs increased by 33.5%, revenues increased by only 30, 3%, having the effect of record losses, and increase spending in 1000 lei income, which in 2008 reached 1012 lei, compared to 950.7 lei, in 2007. Although sales prices have increased in 2008, goods production has been increasing (*table 3*).

Table 3

**The merchandise production and selling prices evolution for meat and meat products
at S.C. Meat Industrialization "KOSAROM" S.A. PAȘCANI between 2007 and 2008**

Product name	Merchandise production– tons		% /2007	Unitary price thousand lei/t		% /2007
	2007	2008		2007	2008	
Meat products	4.093,0	4.875,8	119,1	11,18	12,10	108,2
Pork carcase	2.988,2	3.556,6	119,0	6,25	8,37	133,9

CONCLUSIONS

1. Lowering production costs is a priority objective of the integrated enterprise, which requires optimization of resources, so as to achieve maximum profitability.

2. Price is one of the determinant factors of income. Therefore, the economic-financial mechanism must be based on the cost-price relation, leading to minimize costs and increase its profitability.

3. In 2008, SC Meat Industrialization Kosarom SA Pascani, compared with 2007, the cost-price relationship was negative, meaning that if the costs increased by 33.5%, revenues increased by only 30, 3%, having the effect of record losses, and increase spending in 1000 lei income, which in 2008 reached 1012 lei, compared to 950.7 lei in 2007.

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