

IMPROVE MANAGERIAL ACCOUNTING THROUGH TARGET COSTING

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Abstract. *The target cost method was designed as a comprehensive set of cost management tools, cost planning and cost control. It is part of a strategic approach in which each cost carrier is analyzed throughout its lifecycle. This method is based on the idea that the sales price of a product is fixed on the market. The price does not therefore depend on the cost. The target-costing method is not only a cost calculation method but also a modern management method that uses techniques such as value analysis, market study, manufacturing technology, diversity reduction, and partnership with suppliers.*

Keywords: managerial accounting, target cost, target price, modern method modifications

1. Introduction

Under the current environment, in order to cope with international competition, economic entities must have as their primary objectives the continuous increase in the quality of production, the reduction of costs and the timing of products among other measures, the achievement of these objectives involves improving and adapting production processes, identifying and using new production methods to meet customer demand for deliveries. Thus, enterprises tend to replace traditional production systems with advanced production systems such as: Kaizen Costing, Target Costing, Activity Based Costing, and Activity Based Management. An optimal solution for businesses to meet their goals is to implement the target-costing method.

2. The context of the target-costing approach

Target cost or objective cost is a concept of cost management, used and developed by Japanese enterprises since the 1970, is part of a global approach to management born in Japan, being used especially in the automotive industry. To define the notion of target costing, we will start from three opinions belonging to one american author and two japanese authors:

„• Sakurai (1989): Target cost is a cost management tool that allows the total cost

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