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COST MANAGEMENT IN THE FUNCTION OF BUSINESS DECISION MAKING

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Abstract: *Leadership startegy regarding costs is, alongside diferentiation strategy, the basic strategy in the creation and protection of company competitive position in the developed market. This strategy is based on cost optimization that can be achieved by efficient cost management at all levels within a company. In the course of the dynamic changes in company's business environment, traditional calculation models have become an unreliable foundation for business decision making. Therefore, the companies opt for modern cost management system application for business risk reduction achievement, additional value increase, financial expense reduction, ie, their competitive position improvement.*

This paper indicates the significance and role of efficient cost management in modern companies providing appropriate business decision making by the company management. This paper further provides research results on calculation and cost management weak points in companies in Serbia, the influence of the most important factors on cost management efficiency, with suggestions for the improvement of the process and cost management in the function of company competitive position increase.

Keywords: *cost management, company, competitiveness, cost management factors, business decisions.*

INTRODUCTION

The main cost management goal is information generation with the aim of planning, decision- making and control in the short and long run, in order to help company management in product creation and service delivery in a manner more efficient and effective compared to the competition. The place and role of cost management should be derived primarily from its relations with the company goals, and they should also link the long-term and short-term (operational) goal realization oriented elements. This is especially emphasized in terms of business globalization process and high-technology company development that begin to re-examine accounting information quality for the needs of business decision making.

In the previous decades, costs have suffered significant changes in structure as well as their general role. The traditional concept of cost calculation is no longer able to provide high-quality information on cost movement, so they cannot determine accurately the activities where the company is not using resources in an efficient and productive way. Also, the cost price determined on the basis of the traditional methods does not provide a reliable foundation for cost management nowadays. Therefore, modern companies are forced to implement modern cost management models which provide the criticals mass of information necessary for decision making with the aim of cost optimization.

Two basic strategies of competitive advantage achievement are differentiation strategy and cost leadership strategy. The cost leadership strategy goal is to build a competitive position in the market with lower expenses in relation to the competition. Regarding that costs are a factor the companies can influence to a great extent, they represent the starting point for a business result increase, ie, profit. The companies in Serbia are also forced to pay the necesssary attention to cost calculation and management issues because of the country's opening and the exit into the world markets in order to be successfully competitive in the market.

This paper researches the impact of certain factors on cost management efficiency in companies in Serbia. The research includes large companies sector on the one hand, and small and medium-sized enterprises on the other hand. The aim of this paper is to identify the limits and problems in cost calculation and management implementation, determine the impact of the factors with the greatest influence on the process, and recommend the suggestions for future solutions and possible improvements in this area on the basis of the research. The importance of the research is especially significant if we keep in mind that the implementation of the complete accounting system based on the international standards has only started in Serbia since 2004. The research results can help domestic companies development and competitiveness increase significantly.

1. THE CONCEPT OF COST MANAGEMENT IN COMPANIES

A company must achieve its competitive advantages in order to achieve its business goals, both the short and long-term ones. A company gains competitive advantage through cost management in two ways: more efficient usage of internal resources and cost control or overcoming the activities that cause high expenses. Cost management contributes to the company's global competitiveness and continuous business improvement (Agrawal et al, 1998). Cost management is also defined as a philosophy, attitude (mission) and a set of techniques with the aim of creating higer value with lower expenses (Hilton, et al, 2000).

In a company, cost management is based on a proactive attitude because it is assumed that all the product and service costs are the result of the decisions made by the company management. Their decisions are often based on the information about cost dynamics and related to the assessment of how certain activities fit into the acceptable cost framework. Besides the organizational resources, cost management decision making also demands both professional competence and specific skills in management (Blocher et al, 2002). Cost management represents a reliable set of methods that can be used on the individual basis in order to support certain decision or complete management in the organization (Škrtić, 2005).

The traditional model of cost management follows and controls the costs of direct material and work per each unit of products or services, while the products of the management and production overheads are added to the direct costs through the application of the appropriate 'cost scheduling' (Pavlović, Škrtić, 1997). Traditional cost management models make no difference between different activities of production and management overheads which appear in certain groups of products. If there is a large share of the business costs that are not a part of production volume and the company offers a wide array of products of various quantities and complexity levels, the traditional model will result in an incorrect presentation of costs. Due to all above mentioned and similar situations, the traditional cost management model implementation is possible in a relatively stable business environment, ie, where the production factor is dominant, technology well-known and there is a small quantity of products with similar properties. However, since the above mentioned characteristics do not correspond to the dynamic business environment, the traditional cost management model is abandoned and made way for the modern cost management systems.

According to Groth & Kinney (1994), the purpose of the strategic cost management is the production of a continuous cycle of information on short-term and long-term activities, with the aim of value increase for the consumers and cost reduction. The benefits of strategic cost management model usage are reflected in business risk reduction, increased added value creation and a reduction in financial expenditure. The main objective of cost management is to use a set of tools for information generation with the aim of planning, decision making and control in both short and long-term in order to help the company management in product creation and provision of services in a more efficient and effective way than the competition.

Cost management is a set of concepts, activities and instruments of influencing the cost amounts, structure and flows with the aim of the realization of the company goals. According to the aforementioned, the place and role of cost management should be derived primarily from its relatioships with the company goals. A well-designed cost management system involves mutually linked elements directed mainly towards long-term (strategic) goals as well as the ones directed towards short-term (operational) goals. Thereby, the former set the framework for the latter while the latter render the former into more controllable performances, testing the sustainability and referring to the possibilities for strategic goal adjustment (Malinić et al, 2018).

The changes in business environment, more distinct to recognize in the 1980s, intensified in the 1990s and expected to spread in the future, represent the drivers and stimulators in the development of the cost management system startegic context. They include the factors such as global competition, information technology development, service sector growth and deregulation, production environment improvement, consumer orientation, total quality management, product development etc (Hansen & Mowen, 2003). Also, time is a strategically important competitiveness factor. Although the costs of complete business cycle time reduction are very high, the delay often costs a lot more (Coenenberg, A., Fisher, T., Gunther, T.).

New business conditions require, more than before, relevant and reliable information and they represent the management support in the process of business decision making. Also, new approaches and concepts in the field of cost accounting appear in the countries with the developed market economy. Business globalization and high-technology company development reassess the quality of accounting information acquired on the basis of the traditional cost accounting methods. Information support is required for company management founded on the customer demands and continuous improvement of business, which can be provided only through the application of the cost accounting concept.

The changes in business environment of a modern company are numerous and frequent, while the company internal resources are not that easily adjustable which makes competitive advantages a serious challenge requiring proactive management. Company management should be supported by information technologies and strategically oriented. The capability to acquire and use resources in such a manner that it uses the chances in the environment and avoids its threats is of central importance for the organization prosperity (Wilson & Gilligan, 2003).

Costs have suffered considerable changes in the structure, as well as in the general role in the previous decades (Malinić et al. 2018). There are two typical changes in the general role of costs. One of them is that costs cannot be considered separately, but always with income and net result, in the long run. The second change stems from the management needs of market-driven companies to compensate for costs as determinants of market presence, replacing it with the approach to adjust costs to future market opportunities, which increases their significance and requires increasingly careful management-cost approaches to costs.

Cost management leads to the business process improvement because it promotes the idea of the continuous assistance for the organization in making the right decisions and the creation of a higher customer value with lower costs. The introduction of the cost management system requires complete commitment in the company, from the involvement of the employees at all levels of hierarchy to performance control system introduction in order to improve the activities which result in added value, reducing the ones that do not contribute (Agrawal et al, 1998).

2. TRADITIONAL AND CONTEMPORARY COST ACCOUNTING SYSTEMS IN COMPANIES

Company profit is the result of its primary and secondary activities, and income increase in relation to costs is achieved by more efficient and effective performance of the activities. Porter ( ) singles out two main strategies for competitive advantage achievement: product diferentiation and cost leadership. Diferentiation strategy is based on the creation of the customer perception on product or service singularity, most frequently through quality superiority, which enables the producers' accomplishments at higher prices. The main fault of this strategy is that it requires no cost minimization in company's business, and it results in a higher inefficiency which can cause market position loss. Unlike the diferentiation strategy, cost leadership puts the cost of business first. The aim of this strategy is to gain advantage in the market with the lowest costs in comparison to the competition. Considering the costs as a factor that can be largely influenced by companies, they represent the starting point for business result, ie, profit increase.

Cost monitoring, their formation, development, sistematization and analysis according to various criteria contribute to cost optimization and their reduction within necessary frameworks. Rational business, its concept and tools are the means for removing unnecessary activities in business processes leading to cost reduction as well as giving more value to the products and services for their users. Effective and efficient cost review through the appropriate prism enables the timely anticipation of future business – financial alternative movements in decision making, ie, adopting optimal directions for further business operations of the company and its development.

The characteristics of contemporary economic reality is also resource constraint, so cost management gains in importance on this basis. Information quality factor is also important because they should help management in the acquired resources efficiency improvement. Production elements combination implies the appropriate quality, quantity and time harmony provided through company management function. In terms of quantity, substitutions among certain elements are possible, that is, a share of costs of one of the elements can be replaced by the costs of other element with the aim of total cost reduction per product or service unit.

According to Malinić et al (2018), cost and effect accounting is the main part of the mainly internally oriented management accounting, directed towards investment and profit centers, cost place and function, not the entire company. The object of the calculation is its commodity, ie, value flows on a short-term basis with the full freedom of cost and effect value concepts choice it is dealing with. The main objectives are to provide information on the cost effect for balancing needs, provide short-term result per organizational units, product groups and products, as well as the information on price policy formulation and business decision making.

In the attempt to improve total investment and total effects ratio, a company tries to achieve maximum impact on input in the business process. The imperative of the business result forces management to implement various models and methods of cost management. These models provide management with the critical mass of information necessary for decision making with the aim of cost optimization, and among others, these are used in practice: traditional cost management model, ABC method, target cost model, 'Kaizen costs', value analysis, cost management model based on processes, etc.

The traditional methods are only calculation methods in their essence, which means they do not meet modern requirements of business decision making. Their characteristics is the lack of long-term approach, limited usability for decision making and insufficient respect of market requirements.

A modern organization is nowadays considered as a system of business processes where the transformation of inputs into outputs is performed and thus a value for consumersis created. The key processes that enable superior performances depend on the management capability to recognize them – better quality, lower costs, higher-quality service – as well as the profit of the organization and its competitiveness in the market (Micić, Arsić, 2010). Cost competitiveness is achieved through more efficient production elements cost management in all the segments of the reproduction process. Higher profit for the organization and the level of economic quality is achieved in this way.

Leadership strategy in costs implies that the company does business efficiently, with the costs playing the central part. Lower costs create opportunities for the formation of lower selling prices than the competition, and the creation of higher profit on that basis. Leadership strategy in costs requires organizational structure with a high level of specialization, formalization, standardization, centralization and functional unit group creation. On the other hand, diferentiation strategy requires the company to be flexible, innovative and with a segmented market approach (Micić, Arsić, 2010).

A modern company does business in the conditions of harsh competition, reduced life cycle of products, necessity to focus on consumer demands, constant pressure on cost reduction and supply diferentiation, as well as focus on quality improvement, product functionality and delivery speed. In this situation, companies look for means for effective management in order to achieve competitive advantage. Information quality, scope and structure necessary for this type of management depend on the cost accounting concept implemented in the company. Cost accounting traditional models have become unreliable for cost management and business decision making, so the companies are forced to implement modern accounting models (Antić, Novićević, 2011).

Cost calculation involves various techniques and approaches in stock valuation, cost determination and monitoring according to locations, cost allocation from the auxiliary to the main cost centers, as well as binding costs to their carriers – products and services (Todorović, 2009). Traditional cost calculation concepts cannot provide quality information on cost flows, or determine accurately business activitieswhere the company does not use the resources in an efficient and productive manner. In addition to the aforementioned, the price determined on the basis of the traditional accounting methods does not provide a reliable foundation for cost management in altered business conditions.

Costs belong to the narrowest circle of success factors and the situation in the company, financial and other organizations. Therefore, there is logic in the managers' commitment to the issues of costs and a wide range of the information in management cost accounting and their effects in all successful companies and other organizations (Malinić et al, 2018.). Costs are an expression of value in economic resource spending in order to generate and sell certain effects: the effects stand as the opposite of costs and their product. This relationship is the key issue not only in cost accounting but overall management accounting.

Traditional cost calculation techniques (although they continue to be widely used) are the topic of numerous criticisms due to their inflexibility and inability to keep up with the changes in business environment. Traditional accounting techniques at full cost, whereas general costs are 'absorbed' within production through the usage of a certain basis (for example, number of machine operation hours or direct labor), were developed in the time when direct labor, raw materials and machine operation created the most important input in the production process (Aničić, Popović, 2015).

However, as the processes in both production industry and business environment services became increasingly automated, direct labor input primary significance reduced considerably. Simultaneously, relative significance of indirect general costs in cost structure in a lot of companies showed a growth tendency. The result was that higher general cost amounts started to be allocated to fewer hours of machine operation or numbers of direct labor hours, leading to questionable cost allocation.

In order for cost accounting to be efficient, it should be tailored according to the company's unique business process nature. There is no cost accounting system superior in all possible situations. We can rather say that cost accounting economy and efficiency is determined by the company's business process nature as well as the type of information necessary to its management (Milićević, 2000).

Cost accounting supplies company management with the necessary tools for the needs of business activities planning and control, quality and business efficiency improvement as well as decision making, both routine and startegic ones. Gathering, presentation and analysis of information concerning company's costs and effects should enable the management to perform a number of tasks set before them successfully (Hammer et al, 1994).

We can expect incresing usage of managing accounting means in future, such as : budgeting, calculation system according to standard costs, responsibility accounting, contribution analysis and differential approach to the creation of relevant data for the needs of individual decision making. These tools have a much larger significance for company management than double bookkeeping and the preparation of conventional financial reports (Horngren et al, 1994).

Relying to flexibly set calculation system according to standard or standard variable costs can indicate excess behavior of certain types of costs in certain stages of the production process, in certain sections, product lines, etc. Company's market opportunities are frequently limited and the chances for eventual profit increase should be sought within the company, ie, its costs (Drury, 1992).

The information limitations of the traditional cost calculation systems are emphasized by a number of authors in their papers. Cooper & Kaplan (1988) point out that the decisions should be based on the differential or/and incremental costs (and income) the construction of which vary depending on the nature of the problem they try to solve. The traditional cost calculation systems are created mainly to provide information necessary for external financial reporting in times when production technologies used to be labor intensive above all else (Kaplan, 1988).

There is a ruthless competition with clearly defined agent positions, ie, owners and managers who negotiate the system of jurisdiction and responsibilities among themselves. In such business environment the management is necessarily obsessed with business and financial efficiency and effectiveness of company's business, so it is therefore oriented to accounting as the basic source of information in decision making. Such climate is still in its early stage in Serbia, and cost accounting is developed on the basis of the models from developed countries. However, the functions of management and ownership are not clearly separated in many small and even medium-sized enterprises, ie, the owner is frequently the manager as well. These relationships do not create a favorable climate for management accounting development or contemporary concepts of cost calculation. On the other hand, the accounting profession inertia is present, ie, it is not prepared to adopt and implement the modern concepts in cost calculation and monitoring. The concept of costs is frequently set in such a way that it is suitable to the classic accounting principles and tax regulations, not the cost accounting goals that are much wider than providing the price for stock effects balancing needs. An important shift in profession development has been made through accountants and auditors' education and certification according to the programs of the renowned world accounting institutions. It is necessary to raise professional culture in Serbia and upgrade the managers and accountants' knowledge, and they have to share mutual trust as an important prerequisite of successful company management in modern world of business.

Legal entities and entrepreneurs performing production activities in Serbia have an obligation to have class 9 in their bookkeeping – cost and effect calculation – dealing with (Petrović et al, 2015): cost assignment by cost and effect place, the links between income and the appropriate effects, as well as business success determination by company accounting units – profit centers and business result determination for the entire company according to the sold cost effect method. Cost and effect calculation offers the data on:

1. the price of products and services that the company produces and sells;
2. stock value changes (final compared to initial);
3. amount deviations from the standard (calculated) business conditions in spending, employment and efficiency;
4. business results by company's accounting units and the company as an entity.

2.1.Methodology

The research for this paper was conducted from December 2021 to March 2022 on the sample of 48 respondents, where a half is from large companies and the other half from small and medium-sized enterprises. The division into small and medium-sized enterprises on the one hand, and large companies on the other hand has been performed according to the current Law on Accounting of the Republic of Serbia. The respondent structure in the sample consists of managers on the one hand, and the employees in accounting and finance on the other hand. All respondents have a university degree and work experience of over 3 years in accounting and finance.

The respondents evaluated the influence of the following factors on cost management efficiency in companies in Serbia: accounting personnel competence, management understanding, competition impact as well as legal and internal regulations. The response was processed statistically in SPSS program, tested by Cramer's V test, the significance of the statistic differences in the two groups of enterprises was tested by chi-squared test.

Most of the respondents from large companies (20) and most of the respondents from small and medium-sized enterprises (18) have over 10 yearsof work experience. Most of the respondents from large companies (15) work as managers, while most respondents from small and medium-sized enterprises (13) work in accounting and finance.

On the basis of the data in table 1, we can see that average mean value measures in the evaluation of factors Accounting personnel competence, Management understanding, Competition impact and Legal and internal accounting regulation are higher compared to the theoretical average (AS=3).

Factors	Theoretical min.	Theoretical max.	Empirical min	Emp. Max	AS	SD
Accounting personnel competence	1	5	3.00	5.00	3.979	0.668
Management understanding	1	5	2.00	5.00	3.979	0.934
Competition impact	1	5	2.00	5.00	3.583	0.919
Legal and internal regulations	1	5	2.00	5.00	3.458	1.031

Table 1: The average impact of factors on cost efficiency management
(Source: the author's research)

2.2. Research results and discussion

The differences in factor evaluation considering company size This paper tests the differences in factor evaluation considering the company size the respondent works in (small and medium-sized enterprises or large companies). The differences are presented in Chi-squared test (÷2), with the significant difference in values Sig. (significant difference)≤ 0.05. The connection strength between the variables is determined by Cramer's V indicator.

Evaluation	Company size	
	Large	Small and medium-sized enterprises
3	8	3
4	12	15
5	4	6

Table 2. The distribution of respondents' answers inAccounting personnel competence factor evaluation considering the company size (Crosstabulation)
Source: the author's research

Most of the employees in large companies (12) as well as small and medium-sized enterprises (15) evaluated the significance of accounting personnel competence factor with the average (table 2, graph 1).

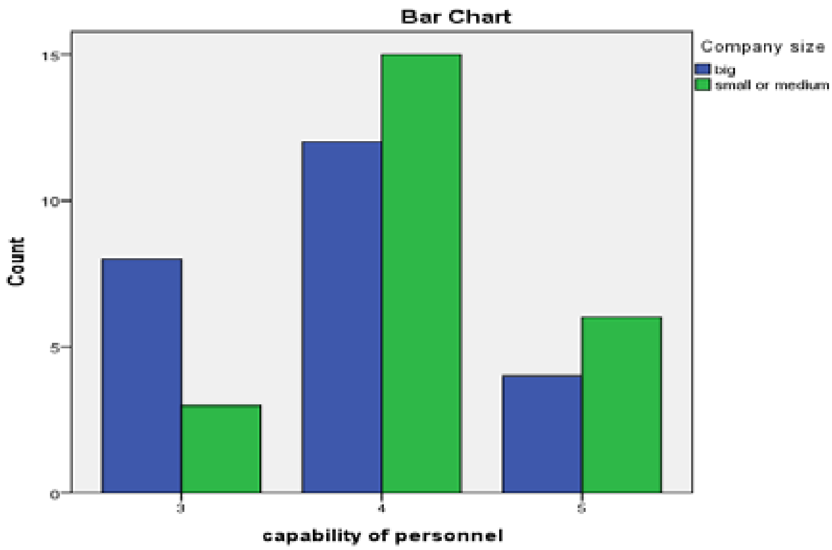


Figure 1:The distribution of the respondents' answers in accounting personnel competence factor evaluation considering the company size
(Source: the author's research)

	Value	D f	Statistical significance
Pearson's X^2	3.006		0.222
Cramer's V	0.250	2	
Contingency coefficient C	0.243		

Table 3. The respondents' differences in accounting personnel competence factor evaluation considering the company size (X^2 *test*) Source: the author's research

There are no statistically significant differences determined ($X^2=3.006$, $p>0.05$) in the evaluation of accounting personnel competence factor concerning the company size (table 3). Cramer's indicator is $V=0.250$, which indicates low connection between the variables. Company size does not affect the differences in accounting personnel competence, considering that Sig>0.05 is the same for all the variables, with low connection between the variables.

Accounting personnel competence factor was given more significance in the research than the theoretical average, which indicates that small and medium-sized enterprises as well as the large companies give this factor great importance in cost management efficiency. Accountants are the carriers of accounting business and the interpretation of the results obtained, and managers are the users of these information. A delay is typical for Serbia in comparison to the developed countries in terms of complete financial reporting regulations, as well as the implementation of contemporary cost calculations in companies.

Evaluation	Company size	
	Large	Small and medium-sized
2	0	2
3	4	11
4	7	6
5	13	5

Table 4. Respondents answers distribution in the evaluation of Management understanding factor considering the company size (Crosstabulation)
Source: the author's research

Most of the employees in large companies (13) evaluate Management understanding factor significance with the highest grades, while most of the respondents in small and medium-sized enterprises (11) evaluate this factor with the medium grades (table 4, graph 2).

Graph 2. Respondents' answers distribution in the evaluation of Management understanding factor considering the company size

	Value	D f	Statistical significance
Pearson's X^2	**8.899**		**0.031***
Cramer's V	**0.431**	3	
Contingency coefficient C	**0.395**		

Table 5. The differences in Management understanding factor evaluation considering company size (X^2 *test)* Source: the author's research

*p<0.05

The results show that statistically significant differences have been determined (X^2=8.899, p<0.05) in Management understanding factor evaluation considering company size (table 5). Cramer's indicator is V=0.431, which points to medium connection between the variables. Company size affects the differences in management understanding, since Sig<0.05 in all variables, with moderate connection among the variables.

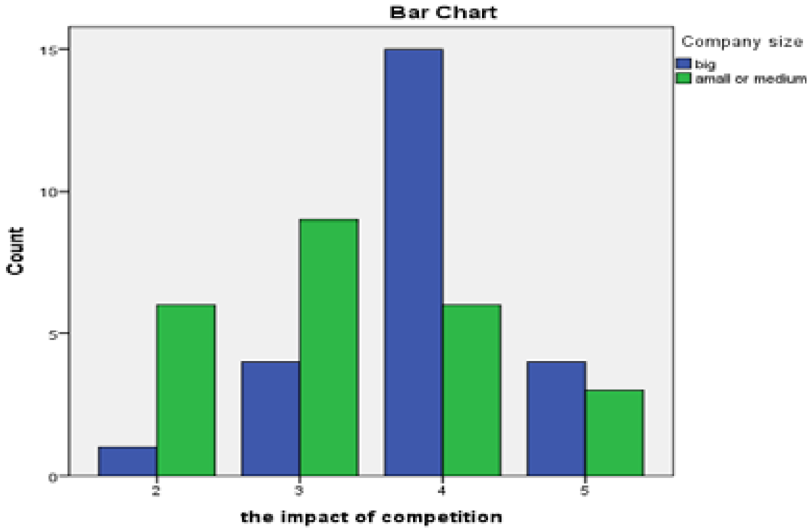
The research on management impact on cost calculation efficiency has shown that large companies attach more importance to management impact than small and medium-sized enterprises sector. Such result can be partly explained by the fact that large companies are more exposed to market influences because they do business in developed international market, while small and medium-sized enterprises are more linked to national or regional levels where global companies have less influence. Also, in some small and medium-sized enterprises ownership is still not separated from management. There is a communication gap between managers and accountants in a large number of companies since statements are frequently too extensive or incomprehensible for non-financial managers and they are still required to make strategic decisions. Therefore, management accounting must takecare that only relevant information is available to startegic managers because they enable making appropriate strategic decisions.

Evaluation	Company size	
	Large	Small and medium-sized
2	1	6
3	4	9
4	15	6
5	4	3

Table 6. Respondents' answers distribution in Competition impact factor evaluation considering company size (Crosstabulation)

Source: the author's research

Most employees in large companies (15) assigned grade 4 to Competition impact factor,while most of the employees in small and medim-sized enterprises (9) rated this factor as average (table 6, graph 3).



Graph 3. Respondents' answers distribution in Competition impact factor evaluation considering company size , Source: the author's research

	Value	D f	Statistical significance
Pearson'sX^2	**9.495**	3	**0.023***
Cramer's V	**0.445**		
Contingency coefficient C	**0.406**		

Table 7. The differences in Competition impact factor evaluation considering company size *(X^2 test)* Source: the author's research

*p<0.05

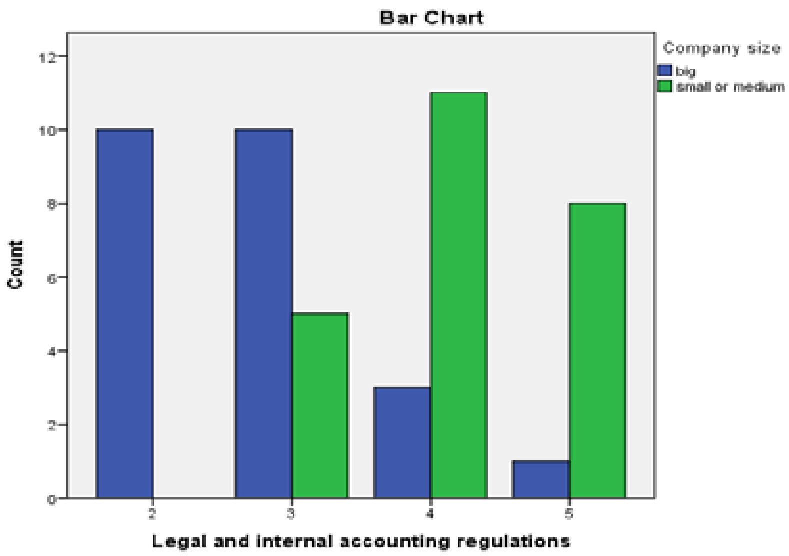
The results obtained here indicate that statistically significant differences have been established (X^2=9.495, p<0.05) in the evaluation of Competition impact factor considering company size (table 7). Cramer's indicator is V=0.445, which indicates medium connection among the variables. Company size affects the differeneces in competition impact, since Sig<0.05 in all variables, with the existence of moderate connection among the variables.

This research show that small and medium-sized enterprises sector attach less importance to competition impact in cost management efficiency than large companies sector. Small and medium-sized enterprises often define competition in a too narrow manner, including only current competitors, not taking into account that competition is a dynamic phenomenon, changing shapes and activities in time. The ability to create profit in the long run is determined by the interaction of all participants in that industry, such as the existing competition, the threat of new competition, substitutes, consumer and suppliers' power of negotiation, etc. Product price depends on supply and demand ratio, and the supply depends on the number of competitive companies and their strength in the market. If there is high rivalry among the existing companies, low costs of new competition entry, low industry entry barriers and if the products the company sells have substitutes, the industry is considered highly competitive and the ability to maintain profit potential is endangered. Company's profit potential is also defined by input and output market strength, ie, negotiating power of consumers and suppliers inrelation to the company itself, the number of consumers and suppliers, product and service quality importance, purchase and sale scopes, etc.

Evaluation	Company size	
	Large	Small and medium-sized
2	10	0
3	10	5
4	3	11
5	1	8

Table 8. Respondents' answers distribution in Legal and internal accounting regulations factor evaluation considering company size (Crosstabulation)
Source: the author's research

Most of the employees in large companies (10) evaluate the significance of Legal and internal accounting regulations factor with grade 2 or 3 , while most of the employees in small and medium-sized enterprises (11) evaluate this factor with grade 4 (table 8, graph 4).



Graph 4. Respondents' answers distribution in Legal and internal accounting regulations factor evaluation considering company size , Source: the author's research

	Value	D f	Statistical significance
Pearson'sX^2	**21.68**		
Cramer's V	**0.672**	3	**0.000****
Contingency coefficient C	**0.558**		

**p<0.01

Table 9. The differences in Legal and internal accounting regulations factor evaluation considering company size (X^2 test)

Source: the author's research

The reults obtained show that statistically significant differences have been established (X^2=21.683, p<0.01) in Legal and internal accounting regulations factor evaluation considering company size (table 9). Cramer's indicator is V=0.672, which points to a substantial connection among the variables. Company size affects the diffferences in legal and internal accounting regulations a great deal, considering that Sig<0.01 in all variables, with a high level of connection among the variables.

Small and medium-sized enterprises sector considers the impact of legal and internal regulations on cost management efficiency more important than the sector of large companies. Legal regulations leave a lot of space for the companies to set up cost and effect calculation within chart of accounts class 9, so that the internal regulations can contribute cost management efficiency a great deal. Small and medium-sized enterprises sector relies more on legal regulations where cost and effect calculation should provide the data for cost price calculation and balancing for the needs of financial statements preparation due to the poor accounting personnel quality compared to large companies. Certainly, the accountants in small and medium-sized enterprises will change this approach along with management in time in terms of paying more attention to modern cost calculation systems demands, meaning that their work will not be finished when legal and internal accounting form is respected. This will surely be influenced by accounting personnel education as well as foreign company appearance with their experiences and developed practice of cost management in the company.

RECCOMENDATIONS AND CONCLUSIONS

Cost management leads to more efficient internal resources usage and offsets activities causing high expenses, so it all results in company's competitive position improvement. Cost management in a company is based on proactive attitude because all product and service costs are the result of the decisions made by the company's management. Decision making on cost management requires expert competences as well as specific management knowledge and skills, and it is based on the information on cost dynamics and the possibilities of their fitting into the acceptable frameworks.

The traditional cost management models fail to meet the dynamic business environment requirements because they are based on the stable business environment in the companies where production is the dominant factor, the technology is well-known, with a small amount of products with similar characteristics, etc. These models do not distinguish between production and administration-turnover overheads because they monitor and control the costs of direct material and direct labor per product or service unit, linking them to administration and production overheads through the appropriate 'allocation keys'. These methods cannot meet the requirements of modern business decision making in their essence because they have no long-term approach and they insufficiently respect market demands.

Dynamic changes in external environment impose a strategic way of thinking to companies. A modern company does business in harsh competition conditions, shortened product life cycle; there is also the necessity to focus on consumer demands, to focus on both cost reduction as well as on quality, functionality and speed delivery improvement. The issue of competitive advantage achievement and maintaining is complex in this situation. Due to the aforementioned traditional cost management model weaknesses, the companies are forced to turn to the implementation of modern cost management models which have been developed over the past decades.

Management accounting development is still in its early stages in Serbia due to the delay in the transition process in relation to other developing countries and the countries in transition. Our research shows a number of weaknesses and faults the companies should eliminate in a short time in order to increase their competitiveness and create opportunities for entering the developed world market. Primarily, in many small companies and even in medium-sized enterprises management and ownership are not clearly divided, ie, the owner is the manager at the same time. These relationships never create either a favorable climate for management accounting development or modern cost calculation concepts.

On the other hand, inertia is also present in the accounting profession, ie, there exists unwillingness to adopt and implement modern concepts in cost monitoring and calculation. The concept of costs is often set in a way which is suited to classic accounting principles and tax regulations, not cost accounting goals much wider than just providing the price for stock effect balancing needs.

Our research shows that small and medium-sized enterprises sector considers competition too narrowly, including only current competition, not taking into account the competition as a dynamic phenomenon, changing forms and activities over time. Factors such as threats from new competitors entering the market substitute appearance, consumers and suppliers' negotiation power, etc. Company's profit potential is also defined by input and output market strength, ie, consumer and suppliers' negotiating power inrelation to the company itself, number of consumers and suppliers, the importance of product and service quality, purchase and sale scope, etc. Neglecting these factors will inevitably cause weaker competitive position in perspective, the possibility of falling out of the market included.

The research on management impact on cost calculation efficiency has established the fact that large companies attach more significance to management influence than the sector of small and medium-sized enterprises. Large companies are more exposed to market influences because they do business in developed international market, while small and medium-sized enterprises are more frequently linked to the national or regional level, where the influence of global companies is weaker. The existence of a communication gap between managers and accountants is also noticed in terms of statements incomprehensibility for non-financial managers who are expected to make business decisions.

Accounting personnel competence factor gained a great importance in this research which indicates that small and medium-sized enterprises as well as large companies attach necessary importance to this factor in cost managemnt efficiency. Managers are calculation and statement users, but they are made by accounting personnel. Although Serbia is late in accounting regulation implementation as well as cost management in comparison to the developed countries, the research has confirmed that accounting personnel education in this field, the arrival of foreign companies and the requirements they set lead to rapid adoption of modern cost calculation methods and the improvement in the accountants' knowledge. We can also notice the improvement in manager – accounting personnel relationship, which has a special significance in the sector of small and medium-sized enterprises where there is still a mix of ownership and management.

Legal regulations in Serbia leave a lot of space for the companies to adjust cost and to affect calculation set up to fit their needs, in order for internal regulations to contribute to cost management efficiency on a much larger scale. It is obvious that small and medium-sized enterprises sector no longer relies on legal regulations where cost and effect calculation should provide the information for price cost calculation and balancing for financial statement preparation needs. Therefore, it is necessary to change the SMEs accountants and managers' approach in terms of paying more attention to the requirements of modern cost calculation models, meaning that their work is significantly wider than price calculation and providing balancing data. Consequently, internal regulation task will be more comprehensive and specific in future, with the aim of providing managers only with relevant information which enable strategic decision making.

A significant improvement in accounting profession development is achieved by accountant and auditor education and certification according to the renowned world accounting institutions programs. Accepting the international standards, experiences and contemporary practice will considerably shorten the time necessary for Serbia to implement fully the modern methods of calculation and cost management. The arrival of global companies doing business in Serbia largely contributes to the above, through the privatization of local companies, joint ventures or other forms of business activities.

It is necessary to improve professional culture in Serbia. Furthermore, it is necessary to establish knowledge upgrade for managers and accountants who need to build mutual trust as an important prerequisite of successful company management in modern world of business. Any other approach to the complex issues of cost accounting and management by these two professions results inevitably in weaker overall performance of companies as well as a fall in the position of competitiveness in the market.

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