RESPONSIBILITY ACCOUNTING – A SOURCE OF INFORMATION FOR MEASURING THE PERFORMANCE OF INDIVIDUAL CENTERS

Igor Zdravkoski1, Ljupce Markusheski2, Pece Nikolovski3, Miroslav Andonovski4

Abstract:

Management accounting is primarily intended to be an information base for enterprise management. Of course this applies to all levels of management. In any situation, whether decisions are made or not, plans or other activities are created, management extracts information from this source. Due to constant changes, rapid technological and digital advances, competition, environment, etc. managers inevitably need continuous information in all segments of the business. In these situations, responsibility accounting has a special role. It has an obligation to present accurate data on the needs of the enterprise related to planning and control.

Here, we will emphasize that performance outcomes are measured at the level of responsibility within an enterprise. That is, how much each organizational unit (department) is satisfied with the funds, that the costs are tracked and the result achieved is measured in a given period. The company is also a group of people who all have their own tasks and responsibilities. If each individual invests in achieving the set goals, the percentage of tasks completed will always be higher. But of course the responsibility of the individual for the costs will affect their reduction.

In fact, the overall results of the enterprise are the consequence (sum) of activities of all the organizational parts of them. Hence, tracking costs against results will be seen on the basis of actions taken at different levels in the enterprise. Therefore, responsibility accounting is - a mechanism - that monitors the performance of departments in the enterprise and their managers and thus creates insight and effective control at every level.

Key words: *measurement, tasks, responsibility, management, results.*

[1] University St.Kliment Ohridski – Bitola, Faculty of Economics – Prilep, igorzdravkoski@gmail.com
[2] University St.Kliment Ohridski – Bitola, Faculty of Economics – Prilep, ljmarkusoski@t.mk
[3] University St.Kliment Ohridski – Bitola, Faculty of Economics – Prilep, nikolovskipec@yahoo.com
[4] University St.Kliment Ohridski – Bitola, Faculty of Economics – Prilep, miroslav.andonovski@uklo.edu.mk

Introduction

Implementation of the control of managers' competences and responsibilities confirms the practical realization of responsible accounting. It is an important system for increasing the profitability of business entities. The need for important and useful information to satisfy the control and performance of all the individual departments in the enterprise increases the importance of responsible accounting.

Of course, there are reasons for this, including:

- ★ the emergence of large and complex enterprises,
- ★ increased competition,
- ★ the need for efficient management, control and planning,
- ★ monitoring dispersed production processes,
- ★ decentralized management,
- ★ capital allocation and monitoring.

All these processes must be systematic and comprehensive.

But they also need to be measured and presented in the financial statements.

Therefore, in responsible accounting, it can be said that it is a subsystem of management accounting and it contains several stages:

First phase - identify responsible centers,

Second phase - determine the competences of the managers of the responsible centers,

Third phase - preparing the plans of the responsibility centers and preparing reports on their success, and

Fourth phase - assesses the responsibility of managers and their activities.

All of this is necessary because many companies have decentralized management.

That is, for each department, the individually responsible manager makes decisions at a particular level.

In fact, the reports that are prepared for their success and results are used by top level managers.

1. Centers and elements of responsibility

In a decentralized management system, responsible accounting has a special place. Its' elements and centers of responsibility are numerous.

Namely, they should be classified in different ways depending on the powers and capabilities in controlling the operation. This is necessary because responsible accounting implies the institutionalization of planning and control.

This process should be systematically set up and comprehensive. In any case, not the slightest detail should be left out which would cause some incomplete reports. Because, when preparing financial statements, it is very important to determine costs by sector, by unit, by function and by the way costs are calculated. That is, responsibility centers are places that control costs, revenue generation, and investments.

These places or parts, according to the organization and systematization of the enterprise, can be: production lines, departments, administrative departments, specific jobs, divisional enterprises and so on.

Namely, the responsibility centers need to be separated, and their main task is to create and submit information according to the reports prepared, before and after the work operations.

Their comparison and re-planning is carried out in order to build a system that will function in a quality and efficient manner. Because, responsible accounting follows all the characteristics of the

narrower organizational parts of the whole enterprise. The financial effects of each individual liability center are also seen. But it also monitors the way each manager behaves toward the top management of the company. This system of organized accounting needs to be designed to meet the needs of the enterprise and the needs of managers at every level of management.
Their compatibility is very important because they need to know and recognize the areas of responsibility that form the basis for reporting and measuring performance. Because, the responsible accounting system generates the information for efficient use and management of all levels and all parts of the enterprise effectively.
Here, we can emphasize that companies have differentiated multiple liability centers such as cost center, revenue center, profit center and investment responsibility center.
In the management accounting system, the need to perceive and achieve cost control is always emphasized.
Therefore, the division of these centers is necessary. The need of every manager is to have insight and control in the responsible center. In cost centers, managers have no influence on the different types of products, prices, quantities, sales, and therefore have no responsibility for the revenue generated.
Namely, their direction of responsibility refers to the economical consumption of the factors of production, the effectiveness of the work activities, as well as the achievement of the quality of the output. The role of quality is crucial, because if there is no quality, the success of the centers, but also the overall operation of the enterprise will be inefficient and ineffective.

1.1. Cost center of responsibility

Namely, the cost center of responsibility has a special role in controlling the operation. It is a fact that at all levels and in all parts of the entity certain costs are generated. This responsibility center requires tracking costs and measuring between planned and executed tasks. But also in terms of measuring the cost center results different types of costs arise. Of course, some of those costs cannot be the responsibility of the manager.
Namely, from the planning-control point of view and responsibility, we have two types of costs.
First, the costs that the cost center manager can directly influence over a given accounting period.These are costs that take on the nature of controlled costs.
Second, other costs incurred at the cost center level, but the manager has no direct impact.
These are costs that have the character of uncontrolled costs.
Here, we can emphasize that cost centers can be divided into:
- standard cost centers, and
- centers of budgeted expenditures.

1.1.1. Budgeted expenditure centers and expenditure discretion centers

If in the responsible centers, the managers are responsible for the expenses, but not for the profit, then such centers are centers of budgeted expenditures.
Here, we are talking about parts of the organization where nonprofit functions are performed (research and development, finance and accounting, administrative administration, etc.).
Whereas, if the amount of expenditure is determined by the decision of the responsible manager or by the decision of the top management of the enterprise, these are centers of responsibility which are discretionary centers of expenditure.
In fact, in the centers of responsibility for budgeted expenditures, in addition to costs of a discretionary nature, there are costs that have the character of standard costs (individual costs of

procurement, sales, etc.). Of course, we will emphasize that the way of planning and controlling the standard costs in the centers of responsibility is easy and simple.
However, when it comes to discretionary costs, it is much more difficult to measure their efficiency.
Namely, providing a framework and quality services in the context of the budget is really complex. But also defining the scope of certain activities is difficult to determine by how long it takes and how many people (eg. researchers) are needed for the purpose.
Therefore, the emphasis on responsibility as well as control is of a qualitative nature, and to a very small extent on the quantitative side.
Also, at discretionary spending centers, responsible managers have the responsibility to maximize the output within the budget. And that is the basis for their control.

1.2.Revenue control center

Revenue control centers carry out revenue controls. The responsible manager has certain competences and is responsible for generating revenue for the enterprise and has no direct control over the costs of the products. It is also solely responsible for the revenue it may affect.
Income centers of responsibility condition control based on the effects obtained.
In fact, the perception is made through deviations from the planned revenues. Managers aim to achieve the realization and for this reason they engage with many activities (promotion and propaganda, market research, etc.). Such centers should usually be set up in the sales and marketing function.

1.3.Profit center of responsibility

Whereas, profit centers of responsibility control costs and revenues. This means, that responsible managers are committed to producing certain products (and their planned costs), as well as selling them. the realization of the planned revenues.
Namely, the profit centers of responsibility in the manufacturing enterprise have control over the production function, sales, purchasing function, preparation, etc.
These control centers (units in the enterprise), more precisely the cost centers are most present in the production function.
While the sales function has the most revenue centers. In addition to control and responsibility for costs and revenues, profit center managers have responsibility and authority for quality, delivery time, procurement period, production mix and more.
These centers of responsibility can be perceived in large enterprises, factories, but also in smaller entities within another business, in the form of divisions and so on.
In fact, managers in profit centers of responsibility are responsible for input, transformation and output realization.
Therefore, when there is a clear relationship with the profit centers, the opportunity arises for profit to be uncertain of the decisions and efficiency of each profit center individually. This means precisely defining the responsibilities of each manager individually.
In this way, the results achieved for each manager come to the top of the management of the company. This means, that top management has a clear picture of each manager individually, but also has a view of the success of each profit center. The way results are presented is by compiling an - internal report – which contains information and data on the overall operation of the responsibility centers.
Namely, - the internal report - should be presented as an internal balance of responsibility and success covering: direct revenues and direct costs per profit center, as well as allocated common costs.

1.4.Investment Center

The investment responsibility center, analyzed from a management perspective, is conditioned by the high degree of decentralization of the management organization.
It is a center of responsibility that provides control over costs, revenues and investments.
In some cases, there is a balance between the profit and the investment center of responsibility, but in each case there is a difference.
Namely, the degree of responsibility assigned by the top management of the organization creates specificities in the way and freedom of decision making, as well as the method of measuring the results by the manager.
In fact, investment centers have the highest level of responsibility and independence.
This is due to the amount of profit that is closely related to the amount of capital invested.
Top management transfers responsibility for making the key decisions that determine profit.
At the same time, it provides competences when deciding on the level and type of investments that should enable profit in the future.
Therefore, we will emphasize here that the investment center of responsibility is a functional relative stand-alone entity within an enterprise.
In practice, an organizational part of an enterprise, in order to gain the character of an investment center, should:

- ★ be large enough to allow its control to be effected through the rate of return or residual gain,
- ★ be autonomous so that the funds and expenditure of finance can be easily and safely returned,
- ★ the manager of an organizational unit has authority and responsibility, not only for determining their profits, but also for the type and quality of the investments,
- ★ the management of the enterprise can measure and control the results of managers and centers through the rate of return,
- ★ to fulfill the conditions provided for the existence of an investment control center.

An additional feature of these centers is the ability to produce information that enables analysis of the financial structure, asset structure and financial position of the investment center.
This means that these centers need to prepare internal reports for determining the return of investments (ROI) and residual profit.

2. Measuring the results of the work of the responsibility centers

First of all we will emphasize that in measuring the results of performance, the key measure of success is profit. Of course, the measurement depends on what kind of profit center it is.
Namely, the cost center is a unit that does not deal with production. The success of this unit is made by comparing actual costs with previously established costs.
In fact, there are some difficulties with the cost center as there are some common costs related to multiple cost centers. So, their demarcation in a certain way is a problem.
Therefore, the cost limitation is done by agreement between the managers of the individual centers. The contract with each responsability center specifies the rate of common costs that will be accepted by each individual center.
However, in the profit centers, profit is a quantified expression of the contribution made to the profitability of the enterprise.

At the same time, we will emphasize that the absolute magnitude of profit does not necessarily mean an adequate measure of business success.
That is, if a profit center has more capital it will generate more profits that have relative importance. At the investment center of responsibility, the rate of measure of investment is the rate of return on investment. Typically, the performance measurement criteria for enterprise operations and responsibility centers are different.For this reason, different factors operate at different times and there are different possibilities, but the environment is also characterized by special features. Therefore, the valuation method covers all the conditions and opportunities on the day of calculating and determining the performance of the operation and operating profit.

2.Success of total results of profit centers

In addition to the rate of return as a measure of success, we need to emphasize the rate of return on performance. In many cases, the sales ratio against the hired assets is also used. As we have underlined earlier, in the accounting of management, hence in the responsible accounting ratios are used. This means that these centers have an ultimate goal.
But they also affect variable costs and the rest of the conversion. In fact, the rest of the realization is the basic indicator for measuring the results of operations. In this way, we can determine the cost-effectiveness of operating in the long run.
Of course, we will underline that in the production of certain types of products regardless of the volume of production, the fixed costs remain the same, but in calculating the success and profit determination they must not be left out. Above all, in order to achieve the highest possible degree of effectiveness and efficiency in operation, it is necessary to observe all the delimitations of the costs that cannot be affected and the costs that can be affected.

In this way, the principle of comparability between profit centers will be achieved and we will have insight into the overall operation of the profit center. Hence, the calculation of the success will be able to determine the success of the highest level of management of the enterprise, since the management also has the character of a profit center. Namely, the total results of the profit centers are presented in the internal income statement.Through it, we can perceive responsibility for meeting the set goals or evaluate the performance of management. We additionally perceive the economic performance and the quality of the tasks performed.

Conclusion

It should be noted that responsible accounting represents the results of operations that are measured at the level of responsibility within an enterprise.

Also, implementation and control of the responsibilities of managers at the level at which they are assigned should also be carried out. All this depends on the complexity and location of the enterprise. Due to the specifics of the business entities, the tasks being performed create the style of responsible accounting. The reports have great importance.
Through them accountability is given on the results related to cost-effectiveness, effectiveness and efficiency, as well as the established hierarchy of management.Responsible accounting is required to cover all organizational units of the enterprise.It also monitors the state of management from the lowest to the highest level of the enterprise.Given the emphasis on modern business entities that have

a decentralized management style, responsible accounting becomes the foundation for the successful monitoring and implementation of assigned tasks. Because it allows you to see the deviations of the plan from the actual reality, to make comparisons by time, by territories, etc. Also, responsible accounting needs to be designed according to the type of enterprise. It then generates accurate and precise information that enables the right decisions to be made.In fact, responsible accounting needs to reconcile the individual goals and objectives with the goals and objectives of the overall business.

Also, this accounting should motivate employees who will work more successfully and perform their assigned tasks with high quality. The occurrence of problems and risks will be minimized. We will therefore emphasize that responsible accounting should be able to provide quality information to quantify objectives. Of course, this also implies the need for a sophisticated approach to management control, developing a competitive relationship between business units, rewarding employees, and so on.

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