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Responsibility Accounting as Strength of Management Accounting

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Abstract

The role of management accounting in the creation of information resources is shown. Much of the information is created in the accounting and analytical system. Improvement of managing restaurant business is based on management accounting data. Its strength is responsibility accounting. Approaches to organization of accounting for responsibility centers in enterprises of restaurant business, three types of such accounting and its benefits for management aiming to improve, upgrade and create a new process useful for the client are defined.

Key words: management accounting, responsibility accounting, types of systems of responsibility accounting, enterprises of restaurant business.
J.E.L. Classification: M41

1. Introduction - Statement of the problem.

Ukrainian economy is in a situation that needs solving various tasks both at the macro and micro levels. Scientists state that the primary sources of economic growth are space (energy), nature (substances), society (intellectual labor) [1-3, 6]. Among the traditional factors of economic growth such as physical labor, capital and technology significant place belongs to the information that is the product of human intellectual activity.

The main driver of economic growth in the modern world is information resources created through the creative processes [4-7]. Much of the information is generated through accounting and analytical system of enterprise, which aims to facilitate the ordering of scattered data on the basic processes undertaken at an enterprise, organization or institution. Enterprises of restaurant business are no exceptions. They provide a specific type of public services, which in a broad sense health of a nation depends on.

Thus, the problem of improving the management of an enterprise of restaurant business can be solved by changing approaches to creating useful information by managers of responsibility centers.

The aim of the article is to outline current approaches to organization of responsibility accounting aiming to enterprise of restaurant business management.

2. The main material.

The competitive environment, in which enterprises of restaurant business in Ukraine operate, needs to make strategic management decisions considering changes of consumers behavior and their needs for healthy nutrition.

An administration of an enterprise of the restaurant business always needs information to determine the vectors of its individual segments development, considering possible nature of changes in demand, innovations at the market of technological equipment and technology of cooking, to assess their competitiveness and strategic competitive advantages, costs to implement a particular mission, to achieve objectives and increase business profitability, potential management, support internal stability of the enterprise as a system etc.

The success of problem solving is related to the human factor, as far as during the information creation process it can be prepared without considering needs of particular users of appropriate management levels, distorted as a result of incompetence or irresponsibility.

Accounting and analytical system will provide the owner and manager, departments managers with the trajectory of its development and life cycle of certain dishes, income in different angles of its formation, the use of material, labor and financial resources.

Most authors are inclined to believe that the strength of management accounting is responsibility accounting [1, 2, 5, 6]. Responsibility accounting is a system of accounting that provides monitoring and evaluation of each responsibility center activity. The concept of responsibility centers and accounting was first formulated by John A. Higgins in the early 1950s (USA). Its essence is also described in textbooks, monographs and scientific articles of our contemporaries, but in connection with manufacturing enterprises.

In our opinion, at the enterprises of restaurant business responsibility centers can be:

• *cost centers* (department managers of which are responsible for the implementation of certain operational tasks within the allocated costs budget):

- center of logistics costs, which regulates all costs related to the purchase, delivery, storage and movement of products and raw materials;

- center of production costs, which regulates all costs related to the processing of products and raw materials and delivery of services to customers;

- center of administrative costs, which regulates the costs related to enterprise management and maintenance of its life cycle;

- sales cost center that regulates the costs related to sale and advertising of products and services;

•*income centers* (departments managers of which within the allocated costs budget are responsible for maximizing income (revenue) from sales and other types of income):

- center of income from marketing that regulates all forms of income, providing promotion of an enterprise on the relevant market, as well as manufactured goods and services (one such center for medium and large enterprises or lack of one in small businesses);

- center of marginal income from sales of goods and services, including all points of sales where dishes, goods and services are directly delivered to customers (one or more, separated by place of sale);

- center of other operating income, which regulates all other forms of income not related to the products , goods and services sales;

• *profit center* (department managers of which are responsible for maximizing profits (can make decisions that affect profits by reducing costs or increasing revenues) - for enterprises of restaurant business the enterprise if it's unitary or each business unit of enterprises network can be such a center;

investment centre (managers are responsible for obtaining profit and make decisions about resources use) - for enterprises of the industry it is unusual and created quite rare, mainly in large networked enterprises.

Thus each responsibility center should be provided with their budgets and related forms of internal reporting, according to which reporting on management objectives performance for the period is done. For enterprises of restaurant businesses, more often the responsible persons for income are director, manager, waiters, bartenders and other managers involved in sales (sales manager, etc.). There should be a clear interconnection between the responsibility centers, functional responsibilities of particular managers and people who make management decisions. Effectiveness of responsibility center activity is determined by the best result of the execution of task by activity segment on condition of the best use of an enterprise potential. It is appropriate to conduct marginal analysis to identify the contribution of each center (zone) responsible for income (restaurant, cafe, billiards, bowling, karaoke, etc.) to cover of total fixed costs and ensuring the profit of an enterprise.

Studying scientific economic literature allows to assert that within the management accounting three types of responsibility accounting systems can be created: a functional-oriented; process-oriented (focused on processes or activities); strategically oriented.

Each of these systems provides availability of specific items. The first of them we can consider *established types of responsibility (for structural unit,* which are warehouses, production department, rooms for customer service, administrative and technical facilities etc.; *for process*, such as basic (cooking) or additional (washing table linen).

The second is *defined performance indicators and standards* (standards and norms of resources use). The third element is the *evaluation objects* (activities of waiters, bartenders, marketing, etc., which should be written in maps of corresponding processes). Therefore, managers for areas of activity have to establish controlled parameters set by financial and non-financial indicators , such as the execution of the process in time, productivity, cost, quality, customer satisfaction indicators.

Note that system of responsibility accounting in stable environment is called *functional-oriented accounting* or responsibility accounting for functions. According to this approach, responsibility may be laid on the basic structural units of an enterprise of restaurant business. It is usually measured in financial indicators, for example, the amount of costs incurred for the purchase of raw materials, material and technical resources, staff development, revenue etc.

Process-oriented responsibility accounting includes responsibility for specific processes, such as "Processes related to customers", "Provision of resources", "Processes related to manufacture of production", "Customer service", "Human resources", "Infrastructure", "Workspace", "Monitoring of service quality", "Information resources" etc. For evaluation financial and non-financial performance indicators (quality and efficiency) are also used. This system has some features if an enterprise of restaurant business is focused on customers and constantly improves its ability to meet their needs, ones of enterprise's owners and the state.

In theory and practice of management in fact there are only three methods of changing the way of action, i.e. the process (improvement, updating, creation). *Improvement* is characterized by a constant increase of the efficiency of the existing process (e.g., cooking technology, customer service, demand analysis). *Upgrading* involves implementing changes to affect the time and quality (powerful material technical base is created, e.g. convection steamer of the most modern model etc.). *Process creation* means the introduction of a completely new process to achieve the strategic goals (e.g., process of activity quality management is introduced).

Note that the advantages of accounting for processes (types of activities, "ABC method", operational cost accounting) are given by foreign and Ukrainian scientists [3, 8]. They described the process of recognition of activities types which consume the product in order to manage the causes not the costs that have incurred. The majority of authors consider the advantages of this calculation in the context of improving the methods of classification (distribution) overhead costs. Meanwhile, the emergence of this approach became a key factor for the implementation of the system, oriented towards continuous activity improvement. The authors didn't stress that the activity based costing (ABC method) adds to the financial prospects of functional responsibility system one more prospect - prospect of processes. Kaplan D. and Norton R. proved that ABC method has significant advantages but is limited as efforts aiming to improve the activity are fragmented, not related to the strategy and mission of the enterprise. Need in the navigation system has arised. The authors called it directed continuous improvement. New evolutionary stage in the responsibility accounting became strategically-oriented system of responsibility accounting (balanced score card evaluatons) [Strafic - based responsibility accounting system. Balanced Scorerard], which shifts mission and strategy of the organization to operational objectives and indicators for the four different perspectives: financial, customer perspective, process perspective, infrastructure perspective [9]. *Strategically oriented responsibility accounting system* saves the process perspective and financial perspective, but also is focused on the customers and infrastructure, e.g. training and professional development of personnel. Note that the organization of such system takes into account all the benefits of ABC method. The analogue of the balanced ratings system in

France is "Table- de bc-rd" (Le tablo de bord), an illustration of which is given in the textbook by Golov S.F. [1, p.540].

In a situation of continuous activity improvement questions like "Which responsibility center is it necessary to define?", "What indicators should be selected for responsibility centers activity evaluation and how to balance them?" will arise to practitioners. Balance means that the selected indicators are balanced between leading and lagging indicators, objective and subjective, financial and non-financial, external and internal.

Indicators of lagging measure impact and are the result of collaborative efforts / inactivity (e.g., the level of customers paying capacity). Leading indicators are factors of future performance (e.g., time spent on professional personnel development, funds spent for modern information and communication technologies). Objective indicators can be easily measured (e.g., share in the service market). Subjective ones are harder to measure (e.g., evaluation system of personal characteristics of waiters, front office managers should be created). Financial indicators are always expressed in monetary measurement (profitability, and marginal income of different types). Non-financial indicators are not expressed in hryvnas, for example, number of dissatisfied customers. External indicators may indicate customers and shareholders satisfaction and return of investment. Internal - responding to the needs of personnel etc.

- The use of ABC method in the management accounting system will allow to focus attention of the managers on activity to improve the value of nutrition services. The problem is measuring the costs and revenues of individual processes.

Because due to the accounting system it is necessary to have information on whether the activity is effective, activity not costs should be under report. It is important to achieve system- strategic outcomes, not just the individual ones. Activity is fruitful if it keeps an enterprise of the restaurant business in the service market (optimal level of clients is supported). During this activity added value is created and the costs incurred can be considered useful.

3. Conclusions.

Enterprises of restaurant business execute activities strategically important for the healthy nutrition of people and economic growth in Ukraine. Operating in a competitive environment leads to the need to improve management accounting by wide use of responsibility accounting and zoning. There are functional-oriented, process-oriented and strategically-oriented systems of such accounting. Their creation in practice depends on the correct defining of the type of responsibility, indicators and standards for evaluation and evaluation objects. The objects of measurement should be processes undertaken while providing services to clients. Revenue management based on responsibility center organization allows to form clear defined places of marginal income formation, to forecast, budget, evaluate the effectiveness and efficiency of the responsibility centers activity. ABC method allows to focus managers attention on activities to improve the value of nutrition services and client entertainment.

Improvement of responsibility centers accounting based on activities zoning needs further investigations.

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