

MANAGERIAL ACCOUNTING: CONTROL APPLICATION AND DEVELOPMENT

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Key words: managerial accounting, expenditure, management process, responsibility centre, control, control points, method of “secret purchaser”, “critical” points, Expenditure centre, Investment centre.

This article deals with control and managerial accounting, their application in practice as well as organization of managerial accounting according to centres of expenditures, responsibility and profitability which require certain conditions. Expenditures connected with organizational activity of the enterprise predetermine the necessity of their control.

Control is the main process that is represented at all the levels of company management.

In practice as a result of deep integration of the control and other elements of management process it is impossible to define the activities of a manager in such a way that he refers only to one management element without its interaction with control. Any managerial function should be integrated with the control one.

In the aims of providing the efficiency of the control procedures in the companies it is necessary:

- ◆ to develop job descriptions where it is necessary to show the order of activities and interrelations of the employees in planning the control and business - processes analysis;
- ◆ determine the primary documents, where the data displaying how the workers execute their functions and implement the main stages of control;
- ◆ determine the “controlling points” for evaluating various aspects of company activity and resources;
- ◆ set the control parameters of the control objects and “critical” control points, where the risk of mistakes is especially high;
- ◆ determine the types and methods of the control with dominating technical support;
- ◆ outsourcing - attracting other companies for accomplishing the specialized control functions (“secret purchaser” method).

Control is extremely necessary because of the following reasons:

- ◆ There is an opportunity to foresee crisis situations. Control makes it possible to find and correct mistakes before its consequences will lead to crisis.
- ◆ Not only mistakes, but success is also revealed. Control shows what activities are the most perspective.
- ◆ Timely prompting, advice, correct activities of the employees taking into consideration their right for mistakes is the work of the manager.

Effective control is the golden mean between the total control and the absence of control. Every manager solves the problem of balance.

It is necessary to remember that Control is not only the checking, but also help, education and advice.

Another extremity is total control, it causes such things as constant fear, guilty sense and irritation that, of course, do not contribute to high quality work. Here there is some advice how to avoid extremities in control.

1. Understand control not as the influence on the subordinate but as the type of interaction with him.

2. Control is the interaction between people on the base of knowledge of the real set of things.

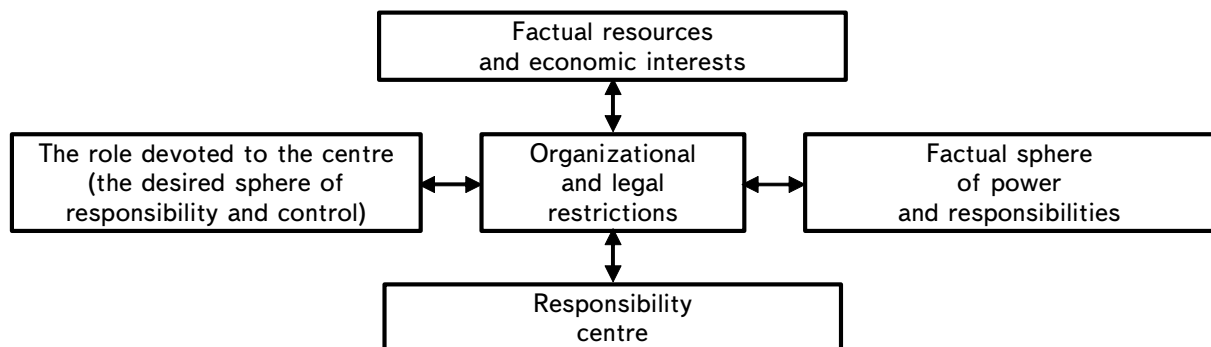


Fig.

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Table

	The centre of costs	The centre of profit	The centre of investments
I stage	Prime cost of the unit (the evaluation only for small business)	The increase of sales in new markets	The return from investments, business efficiency
II stage	Comparison only with the prime cost of the competitors' products	The percent of target clients, the per cent of profit from cross sales. The per cent of profit in target markets	Liquidity coefficient; Capital turnover ROE; ROA
III stage	The profit is compared with the size of the resourced used	The increase of evaluation of the centres of profit; The percent of profit from innovative products	The return of the invested means; Investment profitability; The profitability from the investments in new production

3. Control is the interaction between people, one of whom (the subordinate) has the right to make a mistake, the other (manager) has not.

Most Russian big business structures operate a industrial and financial holdings. Such holdings include industrial enterprises, trade, investment and financial business. The owners and the managers of such structures very often face serious difficulties connected with organizing the control of their own investments, activity results and evaluating the profitability of the enterprises of the holding. The main reasons of these problems are considerable differences in the character of the activity of daughter structures, branch specific character, various problems of the activity of separate management systems.

Introducing the system of managerial accounting and holding control as a rule consists of a number of stages.

On the first stage it is necessary to concretize the goals of the activity of a holding in general and its separate structures (bank, daughter enterprises, subsidiaries). Setting the goal starts with developing the strategic plans.

The second stage - projecting. The projecting of such a system starts with determining the responsibilities and powers for subdivisions and managers. Each manager of such structure should have a certain sphere of control and report to a higher manager in the hierarchy.

While projecting the system it is necessary to define the measures targeted at eliminating different contradictions and it is also necessary to analyze the adequacy of the results and costs for the implementation of a system. In Figure it is represented as the movement of rectangulars towards each other that leads to determining the position of control sphere and centre responsibility, close to optimal.

Therefore, segmenting due to responsibility centres is the concept that assumes "limited

interrelation" of the systems of internal accounting, control, responsibility and motivation on the base of the corrected organizational and functional structure. It is necessary to remember that after segmenting the new structure not always coincides with already existing organizational structure of holding.

On the third stage the index system of the evaluation of the activity of all responsibility centres is developed. It should comply with the distinguished spheres-segments of control, on one hand, and with the problems of current and long-term holding development in general - on the other.

The final stage is in complete transfer to the use of a new system of planning, managerial accounting and control. The final result of this stage is the successive cycle of a new system, starting from forming a current budget to analyzing the results of this budget on the base of the data of annual managerial reports.

In general, accounting system on responsibility centres needs very considered actions both on the stage of their developing and introducing and on the stage of their implementation. We can say that managerial accounting is an expensive pleasure. If there is no consequence in the application of the systems of constant managerial accounting, reports, analysis and planning, it is impossible to achieve such level of business management that the heads of business are targeted at.

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