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RESPONSIBILITY CENTRE - MANAGERIAL ACCOUNTING INSTRUMENT

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Abstract. The survey of industrial companies indicates that the majority of managers use information about total costs or, at best, production costs, to make managerial decisions about the effectiveness of products or services. These indicators, being characteristic of financial accounting, are calculated with great approximation on the types of products or services. Marginal costs, as an object of managerial accounting, are very rarely used in the decision-making process, because the existing expense accounting systems of most companies are not able to produce such information. Traditional accounting systems accumulate and process financial information in accordance with financial accounting principles, without tracking and separating variable and fixed costs, which would allow a clearer determination of the direct costs incurred by specific products and services. Thus, the article presents some theoretical and practical aspects regarding the implementation of responsibility centre as tools for decentralizing responsibilities through the principles of managerial accounting, which allow the accumulation and management of costs and expenses on decision-making areas of company subdivisions.

Key words: *costs, expenses, responsibility centres, managerial accounting.*

Rezumat. Sondajul efectuat printre întreprinderile industriale indică faptul că, pentru luarea deciziilor manageriale cu privire la eficiența produselor sau serviciilor, marea majoritate a managerilor folosesc informația despre costurile totale sau, în cel mai bun caz, despre costurile de producție. Acești indicatori, fiind caracteristici contabilității financiare, sunt calculați cu mare aproximație pe tipurile de produse sau servicii. Costurile marginale, ca obiect de contabilitate managerială, sunt foarte rar utilizate în procesul de luare a deciziilor, deoarece sistemele de evidență a cheltuielilor existente la majoritatea întreprinderilor nu sunt capabile să producă așa tip de informație. Sistemele tradiționale de evidență contabilă acumulează și prelucrează informația financiară în acord cu principiile contabile financiare, fără a urmări și separa costurile variabile și cele fixe, ce ar permite să fie mai clar determinate costurile nemijlocit realizate de produse și servicii concrete. Astfel, în articol sunt prezentate unele aspecte teoretice și practice privind implementarea centrelor de responsabilitate în calitate de instrumente de descentralizare a responsabilităților prin principiile contabilității manageriale, care permit acumularea și gestionarea costurilor și a cheltuielilor pe arii decizionale ale subdiviziunilor întreprinderii.

Cuvinte cheie: *costuri, cheltuieli, centre de responsabilitate, contabilitate managerială.*

Introduction

One of the possibilities of modern cost and company management is the organization of the company's administration through the management of subdivisions based on the principles of managerial accounting. The opportunity of this system is based on the grouping of expenditures into controllable and uncontrollable. Controllable are the expenses that can be tracked by the manager of the subdivision. The uncontrollable ones do not depend on the activity of the subdivision manager. Being simple (as a category), in practice, it is difficult to divide the expenses according to this criterion. The expenses are influenced by the technological particularities, the organization of the production, the organizational structure. Two basic factors influence this division: managerial hierarchy and time. Expenditures can be uncontrollable on one level and vice versa - they can be controllable on another level.

The organizational structure of a company is a system of ranking the levels of responsibility within the company. For decentralization, companies usually classify their management segments in terms of several levels of responsibility. These levels of responsibility range from the lowest organizational level to the highest level of responsibility. In order to increase the share of controllable expenses, it is necessary to organize the reporting by segments, to organize an extension of the concept of responsibility management. By allocating costs and revenues to segments, top management is able to see where the responsibility lies for control purposes and is able to measure the performance of segment managers. By sharing the burden of decision-making at multiple levels of management, management is exempt from many day-to-day solutions to problems and has the ability to focus on long-term planning and coordinating efforts on the issues and tasks of the entire company. Allowing managers greater control over subdivisions and/or segments provides many advantages such as [1-3]:

- More efficient basis for measuring a manager's performance, because through decentralization managers have more freedom to use their skills and efforts. Top management will have more time to take strategic decisions;
- Divisional managers can take better decisions because they are better informed and better know the conditions of the subdivision;
- Decisions can be made faster because fewer people are responsible for making decisions;
- Managerial autonomy at the subdivision level is a motivating factor for divisional managers;
- It is an excellent training as these managers increase their skills in the organization. In the absence of such training, managers will not be prepared to operate in a growing managerial capacity.

Some Aspects Regarding Responsibility Centre

The activities of companies can be structured in independent subdivisions regarding the budget formation and execution of cost control, called responsibility centres. The correct approach in classifying the expenses into controllable and uncontrollable is one of the success factors of the organization of the activity of the company based on responsibility centres. Center of responsibility is a term that indicates a part of an organization that has control over the cost, revenue, or use of investment.

When deciding how to assign responsibilities, the basic operations of the subdivision will take into account the possibilities for measuring and evaluating inputs and outputs. The

organizational structure, the functional subdivision or the business unit will also be taken into account. Decisions on how to distribute responsibilities are closely linked to the organizational structure of the company. Due to the seemingly clear nature of the responsibility for profit, as an indicator of efficiency, very often in companies with structuring per business unit it is recommended to implement on profit centres without giving adequate weight to other considerations involved, such as measuring inputs and outputs. The principle of controllability is of great importance. This principle requires managers to be primarily responsible for the revenue, expenditure and/or investment under their control. For example, top managers may decide on all capital investments for a particular unit, even if those investments may not be a controllable measure for the unit. But not every unit can be an investment centre, because the manager cannot influence the investment decision. The principle of controllability is important for motivational purposes. In this case, managers could held responsible for factors they cannot influence. Therefore, it should be considered that specific strategic concerns do not affect the choice of the type of responsibility centre, as strategic concerns may also affect the measurement used in the responsibility centres [4].

The authors Alnoor Bhumani, et al. [4] are of the opinion that in order to achieve the goals an organization must coordinate the efforts of all its employees - from top executive through all levels of management, to every supervised worker. Coordinating the organisation's effort means assigning responsibility to managers who are accountable for their actions in the process of the planning and control human and physical resources. Management is in essence a human activity. Budgets exist not for their own sake, but to help managers achieve their own pursuits and thereby contribute to meeting those of the goals that are established by the company.

There are many approaches to defining responsibility area. According to researchers Ray H. Gariison and Eric W. Noreen [1] decentralized companies typically categorize their segments in terms of three levels of responsibility. Responsibility centre is a broad term, meaning all identified. These levels consist of cost centres, profit centres and investment centres. The level of responsibility ranks from lowest in a cost centre to highest in an investment centre. A segment that controls costs is known as the cost center. A distinctive feature of the cost center is that it has no control over revenue or investment use. Unlike a cost center, a profit center is any segment that has control over both cost and revenue. However, a profit center has no control over how investments are used. An investment center is any segment of an organization that has control over the cost, revenue, and use of investment. If a segment of an organization has control over investments in areas such as materials and equipment, receivables, inventories, and market entry, then it is called an investment center. Cost centers, profit centers, and investment centers are all identified as centers of responsibility.

Author Bowhill Bruce [5] defines the centre of responsibility as a unit in which a manager is responsible for its. The author determines these results in the form of cost, income, profit and investment centre. For functional activities such as marketing and accounting departments, the authors propose that a discretionary cost centre be organized. In this centre, it is more difficult to make a relationship between inputs and outputs. In such types of cost centre, the manager will be responsible for the centre's expenses against the budgeted ones.

Researcher Colin Drury [6] says that today's complex business environment makes it virtually impossible for most companies to be centrally controlled. It is simply not possible

for central management to have all the relevant information and time to determine and track details for the entire organization. A certain degree of decentralization is essential for all companies, even for the smallest companies. Organizations are decentralized by creating centers of responsibility. A center of responsibility can be defined as a unit of an organization, such as a department or subdivision in which a manager is responsible for the performance of the unit. It defines the centers of responsibility through a set of elements dependent on each other, which form an organized mechanism, having a high degree of autonomy in the use and optimization of available resources. A responsibility center is an organizational unit or part of a business for which a manager is responsible.

The responsibility centre can be equivalent to separate departments or sections within an organization. This mechanism allows the formation of internal links and interdependencies of the company, allowing the evaluation of the results of each subdivision and the determination of their contribution in the result of the company. Managerial accounting by responsibility centres allows the responsibility for the financial results to be assigned to the persons responsible for the activity of the corresponding subdivision. The creation of responsibility centres is a fundamental part of the management accounting control system.

The author views [6] on the following centres of responsibility are similar to those of previous researchers. Revenue centres are responsible centres where managers are mainly accountable only for financial outputs in the form of sales revenues. Profit centres are units whose managers are responsible for both revenues and costs. Such centres can be also called as business units. Investment centres are responsibility centres whose managers are responsible for both sales revenues and costs and, in addition have responsibility and authority to make working capital and capital investment decisions.

In other edition, Colin Drury [7] describes in details the types of responsibility centres. Cost or expense centres are responsibility centres whose managers are normally accountable for only those costs that are under their control. There are two types of cost centres: standard cost centre and discretionary cost centres. The main feature of standard cost centre is that output can be measured and the input required to produce each unit of output can be specified. Control is exercised by comparing the standard cost with the cost that was actually incurred. The difference between the actual and the standard cost is an overrun. Determining the effectiveness and efficiency of discretionary spending centers is the most difficult issue of managerial control. These centers are those in which production cannot be measured in financial terms and there are no clearly observable relationships between inputs and outputs. The managers of these centers are not responsible for sales and revenue, but they may affect revenue if the quality standards do not meet the requirements and the results do not meet expectations. The major issue with discretionary spending centers is the evaluation of spending efficiency. The control is reduced to the comparison of the actual expenses with those budgeted for each category of expenses. This ensures that the tasks assigned to each center have been successfully completed, but at the same time the financial results must be complemented by non-financial performance measures [6].

The German author Albrecht Dezle [7] mentions that the responsibility centres can be considered centres of decision, being led by a manager, because, in this context, the management is not an exclusive activity of the general management of the company. The responsibility centres can be located at all levels of the hierarchical pyramid of the company, having a certain degree of decentralization and delegation of decision-making power. The

author identifies decision centers into 5 types: cost and discretionary expense centers, revenue, profit, and profitability centers.

Cost centers are specific to production subdivisions. The manager's goal is a minimum consumption of material or labor resources. The standard consumption, being established by the engineers, the objective of the cost center manager is to minimize the differences between the real and the standard costs. In such a cost center, its efficiency and effectiveness are measured in measurable indicators.

Discretionary expenditure centers are those subdivisions for which expenditure cannot be planned according to a concrete business plan. In these centers the result of the activity is not directly measurable. In these centers it is difficult to separate variable and structural expenditures. All expenses of such a center will be considered structural expenses. These centers are so named because their budget is determined by the experience of those in charge of those centers. Their objective is to provide good quality services under the conditions of an established budget. The activity of these centers cannot be measured directly. The budget of such a center is a budget for authorizing expenses. As the expenditure of these centers is "at the discretion" of their managers, the way to oversee the use of these budgets is to limit them to a specific number of responsibility centers within the functional services. It should be noted that effectiveness and efficiency are not measurable indicators for these centers.

The revenue center aims to achieve a predetermined production or sales volume in order to maximize it. In such a subdivision the manager has no authority over the price level, but must comply with the price set by the general management of the company. The managers of these centers do not have control over the distribution expenses, the expenses must be within the allocated budget in order to increase the level of sales.

The profit center is the center whose manager must manage the optimal correlation between sales and costs. This situation can be encountered in a production section or in a finished goods store, where the products are sold for a standard cost and where the manager is responsible for the profit from the activity performed. Profit is the margin calculated as the difference between the sales and the sum of the costs of the products sold.

The objective of such a center can be expressed in both absolute and relative values. The overall budget of a profit center can be divided into product budget, expense budget, and profit or margin budget.

In profitability centers the responsibility is focused on all the funds used. These centers are similar to the profit centers with a relatively efficient result, in which the manager has a profitability objective not only in terms of sales, but also of the capital used. There are two distinct levels of profitability centers [7]:

- the level responsible for the investment management selection and the objective detailed in the form of a report:

The centre activity results (or margin)

Fixed assets + working capital of the centre

- the level responsible for the current assets' management and the objectives expressed in the form:

The margin of the centre

The working capital of the centre

The French scientist Boulot J.L. et al. [8] consider that the company is obliged to adapt to the environment in which it evolves and the strategy that was elaborated for it, making

their organizational structure evolve as well. Thus, the following groups of responsibility centre are proposed at company level following types of centres: cost, revenue, profit and investment centre.

Standard cost centre that correspond to a department of the company, where in order to manufacture products or provide services, the actions of the company require a set of expenses with which to measure the efficiency and effectiveness of the company. In such a centre, the manager has no influence on the volume of sales, investments or profit, and their mission is to provide the required services (in terms of quantity, quality and cost) under conditions of minimizing costs. The performance of this centre will be measured by the size of the deviations that occurred between achievements and forecasts in the field of costs.

The most common discretionary expenditure centre is in the administrative departments. Here, the efficiency and effectiveness of the centre are quite difficult to measure, because the link between the level of expenses and the results obtained is difficult to establish; in other words, the costs are at the discretion of those in charge of these centre. Quite often, the budget is established following a decision of the head of the department which will be influenced by the objective they have to achieve (most often it consists in providing the best services to those interested), but it is known that, for the most part, their quality is difficult to appreciate. Having a real cost, lower than the forecasted one, does not necessarily mean a good performance, because it is known that, using fewer resources, the quality of the service will suffer.

Revenue centre. The most relevant example is that of a sales department, in which the manager will have the task of obtaining a certain level of sales without having control over sales prices or distribution costs. Tracking departmental performance is focused on sales. This goal can be broken down into sub-objectives, such as: the types of products that will be sold, the category of customers they are targeting, or the geographical area where they are sold. Tracking the sales structure according to these criteria will ultimately lead to tracking how sales are made. Specifically, the manager will focus on making better use of the resources allocated to them, so that the forecast sales structure will lead to a maximization of revenues.

Profit centre. These are departments whose manager has the ability to combine the best costs and revenues. There may be the following situations:

1. The manager of the centre is responsible for a certain net result obtained by the centre. This means that it can control sales prices, sales volume and the level of sales costs at the same time, and that it can have some control over manufacturing, administrative or research and development costs.

2. If the manager does not control all the expenses that are taken into account to obtain a certain net result, their performance will be appreciated with a certain approximation. These will be equal to:

- the value of the sales, less the expenses on which they can influence directly. In this case, the margin may be used as part of the contribution to cover other categories of expenses;

- the value of sales, less the amount of actual costs over which the manager has control and the standard costs over which the manager has no control. The margin now corresponds to a net result that tries to neutralize the elements outside the manager's responsibility.

Investment centre are those centres in which their managers are equally responsible for the fixed assets used. Within these centre, immediate profits are better combined with

investments that will increase future benefits. In such a centre, the person in charge has a wide autonomy, and the centre's objective will be to maximize the return on investment or the residual benefit. Compared to the managers of other responsibility centre, the head of the investment centre rarely has authority over the assets at their disposal. They have authority over current assets, less over treasury items (inventories, customer receivables, etc.) and partial authority over fixed assets (equipment, raw materials, etc.), and decisions on the latter are made by the general management of the company.

The Romanian authors C. Rusu and M. Voicu [9] define the responsibility (management) centre as a set of elements dependent on each other, which form an organized whole, having a high degree of autonomy in using its resources. The authors group the responsibility centre of the company into four groups: revenue, cost, profit and investment centre. In the revenue center the activity is evaluated by the obtained income. The reward of the employees of this center is made according to the income obtained compared to the planned one. Cost centers are subdivisions in which products or services are made based on the costs of which the effectiveness and efficiency of the center's activity is calculated. These centers may be represented by a department, a workshop or a functional service that uses indirect costs. If a job budget can be developed, it could be considered a cost center. The employee's motivation is based on the cost savings made by each executor.

Profit centers are subdivisions for which the profit obtained can be calculated. This center produces finished products, subassemblies, or services, whose technological process is organized according to the principle of the object of manufacture and which sell their products outside the company. At the level of these subunits of production, expenditure budgets are drawn up and the profit is calculated as the difference between the revenues obtained and the expenses incurred. The employee reward system is based on the fulfilment or non-achievement of the expected profit. In case of violations, their causes will be determined and actions will be planned to eliminate them. Investment centers are organizational subdivisions in which the ratio or difference between the income obtained from the sale of products or services and the investments made to obtain them can be highlighted. The advantages of the investment center refer to the facilitation of the control of the financial indicators and allow the evaluation of the contribution of each center to the realization of the company's profit. A responsibility center is a subdivision in which the manager is responsible for all activities. Thus, a company is composed of several centers of responsibility. These centers form a formal hierarchy of subdivisions. At the lowest level are the sectional centers and other small organizational subunits. Responsibility units that are consisted up of several such smaller units are higher in the hierarchy. From the point of view of senior management and the board of directors, the whole company is a center of superior responsibility consisting of several business units as centers [10].

Figure 1 provides a diagram illustrating the inputs and outputs of a responsibility centre and how responsibility is correlated with the input and output elements to reflect the responsibilities of the manager leading the subdivision.

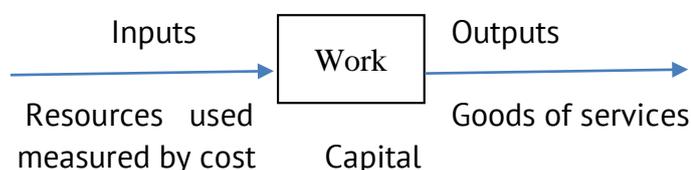


Figure 1. Inputs and outputs of a responsibility centre [10].

A responsibility center is formed to meet certain objectives. The senior management team decides on concrete strategies to achieve these goals. The objectives of the responsibility centers help to implement these strategies. The result of the company is made up of the sum of the results of the responsibility centers. If each responsibility center achieves the goals of the center, the goals of the company will be achieved. The responsibility centers having inputs of materials, labor and services, using the machinery and equipment of the subdivision perform their specific function of transforming the inputs into outputs in the format of goods or services. In production - outputs are goods, in functional units such as human resources, transport, engineering, accounting and administration - outputs are services. Products made in one center can be sent to another responsibility center as inputs, or to the external market as a finished product or service. The company's revenue is the amount earned from the provision of these results by each responsibility center [11].

In another source developed by group of researchers Anthony A. et al. [12] can be finding the following descriptions of the responsibility centres. Responsibility centre is an organization unit which a manager is held accountable. Responsibility centre is like a small business, and its manager is asked to run that small business to achieve the objectives of the larger organisation. The manager and supervisor establish goals for the responsibility centre. Goals provide employees with focus and should therefore be specific and measurable. They also should promote both the long-term interests of the larger organisation and the coordination of each responsibility centre's activities with the efforts of all the others. In general, controlling the activities of responsibility centres requires measuring the non-financial elements of performance, such as quality, that create financial results in the long run. The managers must always be careful to use financial results as measures of performance and rely on nonfinancial results to identify the causes of the financial results.

Table 1

Responsibility Centre Summary				
Factors	Type of Responsibility Centre			
	Cost centre	Revenue Centre	Profit Centre	Investment Centre
Controlled by centre management	Costs	Revenues	Costs, revenues	Costs, revenues and significant control over investment
Not controlled by centre management	Revenues, investments in inventory and fixed assets	Costs, investment in inventory and fixed assets	Investment in inventory and fixed assets	
Measured by the accounting system	Cost relative to a budget	Revenue relative to a budget	Profit relative to a budget	Return on investment relative to a budget
Measured by the accounting system	Performance on critical success factors other than cost	Performance on critical success factors other than revenues	Performance on critical success factors other than profit	Performance on critical success factors other than return on investment

Source: Developed by author based on [12].

Authors Kenneth A. et al. [13] redefine the meaning of the centre of responsibility by renaming it the centre of financial responsibility, a feature of which is described in Table 2.

Table 2

Summary characteristics of financial responsibility centre

Selected financial statement line items	Revenue centre	Cost centre	Profit centre	Investment centre
Income statement				
Revenue	+		+	+
Cost of goods sold		+	+	+
Gross margin			+	+
Advertising and promotion		+	+	+
Research and development		+	+	+
Profit before tax			+	+
Income tax			+	+
Profit after tax			+	+
Balance sheet				
Accounts receivable				+
Inventory				+
Fixed assets				+
Accounts payable				+
Debt				+

Source: Developed by author based on [13].

Characteristics of Responsibility Centre

As a result of those sources analysed, the following definition is proposed which corresponds more broadly to the notion of responsibility centre. *The responsibility centre is a subsystem of the company, which is a unitary whole characterized by its complex structure of links with the environment, represented by certain inputs and outputs, has objectives to achieve and strictly individualized rules of operation, aimed at transforming inputs into outputs specific to the given subsystem and which fully meets the customer's requirements [14].*

Any responsibility centre, regardless of size, object of activity and form of organization involves:

- taking over some economic values from the environment;
- transforming the values taken over into larger ones;
- transmitting the values thus transformed to the economic environment.

The responsibility centre can be seen as a system, but also as a subsystem of the company with its own inputs, outputs and self-regulation mechanism. In order to evaluate the performance, there is a need to clearly define the areas of managerial responsibility - areas of activity that are under the supervision of different managers, called above responsibility centres.

Based on the personal consulting practice in the implementation of cost systems based on responsibility centre in industrial companies in the Republic of Moldova, could be made the conclusion that the most applicable are the following types of responsibility centres [15]:

- cost (expenditure) centres;
- revenue centres;

- profit centre;
- investment centre.

In cost centre, the manager is responsible for costs and expenses. A cost centre can be relatively small, for example a subsection with a small number of staff, busy carrying out a technological phase of manufacturing the finished product or a specialized flow. Also, as a cost centre there can be a section with a complete production process: from the entry of the raw material to the exit of a finished product or a group of products. A company can be organized as a cost centre, if the responsibility for sales is assigned to another company specialized in sales. Some high cost centre may consist of several low-cost centre. Cost centre can be both operational and functional [15].

In the revenue centre the manager is responsible for revenue. Revenue centre aim to achieve a predetermined indicator of production and sales. Such centre may be organized on the basis of a subdivision which has the right to market the result of the activity. Many practitioners treat these centres more theoretically because it is economically pointless to control revenue without comparing it to spending.

The profit centre combines these performances, because the manager of such a centre will be responsible for both indicators: expenses (costs) and income. Other resultant indicators can also be used in such centre, such as: contribution margin, net or divisional profit. Profit centre can be natural or artificial. The natural profit centre sells the result of the activity abroad, the artificial one transmits the (semi-finished, finished) products to other subdivisions of the company to be finished or sold. The transfer price is called the transfer price. As a result of profit centre can be both products and services.

The manager of the investment centre has several directions of control and responsibility: expenses, income and investments. Profits and return on investment can also be an indicator of performance. This concept is quite popular because the manager is often treated as a manager of a business unit or an autonomous subdivision.

Table 3 shows the synthesis of different types of responsibility centre, with the presentation of examples of responsibility centre, the characteristics of the objectives and responsibilities for each type of centre.

The characteristics of the responsibility centre are the following:

- it is conducted by a person in charge;
- performs one or more tasks materialized in quantitative and qualitative objectives;
- has a set of resources necessary to achieve the set objectives;
- has relative autonomy within the resource budget.

Table 3

Synthesis of different types of responsibility centre			
Centre type	Examples	Responsibility	Objectives
Cost centre	Subdivisions, sections and production flows, administrative subdivisions	Carrying out production programs. Minimizing deviations between the standard level of consumption and the actual one	Production quantity objectives

Continuation Table 3

Revenue centre	Sales subdivisions	Adhering to the objective of the sales indicator or its maximization. Incorporating in the budget of expenses and minimizing deviations.	Income increase objectives
Profit centre	Production and commercial subdivisions	Maximizing the result through the best correlation between costs and sales	Profit-raising objectives
Investment centre	Some production units	Maximizing the return on investment	Objectives to increase the return on investment

Source: Developed by the author.

The selection of the types of responsibility centre, their structure and size, the activities included in the respective area, etc., depend on the specifics of the branch or sector, the operating characteristics and the decentralization policy at management level.

Using responsibility centre for cost and expense tracking brings a number of benefits to the company. Cost monitoring based on the responsibility centre will allow a clear presentation of the cost structure on the subdivisions and functions of the company. Thus, it will become possible to evaluate the contribution of each function of the company. The evaluation of the investment result for certain functions will allow to make the managerial decisions based on the effective data, will increase the awareness of the impact on the costs of any action undertaken by the management of the company. The new management system will introduce a system for allocating resources and tracking how to use them, by developing expenditure budgets specific to each responsibility centre.

The distribution of direct and indirect costs will make it possible to delimit the costs that do not depend implicitly on the production process from those that depend strictly on this process on each responsibility center or even on the product.

Tracking deviations from actual expenditures from planned levels will be real and will be a reliable basis for managerial decision-making. Such a cost management system will generate additional information for planning and controlling costs and expenses. The efficiency of recording costs and expenses will allow the collection of current information in a limited time and the taking of „Just in time” management decisions, without waiting until the end of the current month.

Establishing responsibility for the expenses incurred and identifying the contribution of each responsibility centre to the achievement of the company's results will allow individual motivation either by responsibility centre or by product unit. The elaboration of a standard system of rules will allow to highlight the responsibilities of each executor. Thus, the decentralization of responsibilities and the delegation of functions will make the company's management system more flexible, will reduce the number of administrative levels and will lead to a transparency of the system of responsibilities and decision-making. The burden of responsibilities by delegating them to the operational level will allow the management of

financial indicators by the operational managers. Thus, a direct operative link will be made between making and reporting expenses.

Before moving on to managing the company's activity by managerial responsibility centre, the degree of delegation desired to be achieved will be established, as this new approach will influence the future organizational structure of the company. The principles of organizing such a structure are self-organization and self-control.

The division of the company's activity into responsibility centre will take into account the following requirements:

- the division into responsibility centre must be based on the existing organization within the company and be updated only when the distribution of responsibilities needs to be changed;
- all areas of activity of the company must be included in the responsibility centre, without there being an overlap of the activities carried out in several responsibility centre;
- a responsibility centre can only be run by a person in charge.

Responsibility centre can be set up based on the following areas of activity:

- a production activity (execution of a product or service);
- a technological process (mechanical processing, assembly, finishing, etc.);
- a field of activity (design, sale, supply, etc.);
- auxiliary activities (repairs, energy production, etc.).

Regardless of the object of activity, the following functions will be performed within each responsibility centre:

- the own expenditure budget is drawn up;
- deviations from the projected budget are pursued;
- the causes of the deviations are sought;
- measures are taken to correct the deviations and to eliminate the causes that caused them.

Methodological Aspects of Implementation of Responsibility Centres

The evolution of the Moldovan companies produced during the last years, more and more obvious, indicates the fact that the managerial activity must be oriented towards the client and towards the change. This makes it necessary to look for those management methods that ensure the development of the activity of the companies under conditions of competitiveness, which supposes, however, the development of some organizational actions, able to allow the easiest possible use of the modern management and organization methods and techniques.

From what has been presented so far, it results that a restructuring of the company's activity based on responsibility centre is an exclusive activity at the level of its general management, which will take into account the degree of delegation of authority it wishes to grant to responsibility centre. For the success of this action, the general management must consider the following rules:

- the division into responsibility centre must be based on the organizational chart existing in the company and be updated every time a change of authority takes place;
- all areas of activity of the same kind must be included in a responsibility centre, because no decision can be taken without being under the authority of a centre;

- no decision can be made by a double authority, and it follows that the same activity cannot be carried out in several responsibility centre;
- if the same person cannot carry out activities in two responsibility centres, the same centre can only be run by one person in charge.

Structuring the company's activity into responsibility centre has become a priority in meeting customer requirements and obtaining a profitable business. In the developed countries the management of the company based on the responsibility centre is very widespread, in the Republic of Moldova there is a resistance to this way of structuring the activity of the companies, due, especially, to the mindset of some company managers.

The methodology for implementing the responsibility centre in the company can be done in three stages [16]:

Stage I - the stage of preparation of the structure of the responsibility centre:

- 1.1. Defining the RC areas based on the organizational structure of the company
- 1.2. Knowledge of activities and areas that generate costs
- 1.3. Determining cost units.

Stage II - the stage of preparation of the informational base about responsibility centre:

- 2.1. Development and introduction of the cost tracking system by RC
- 2.2. Creating unit costs for products and services
- 2.3. Establishing the allocation criteria and calculating the absorption rates of indirect costs.

Stage III - the phase of using the information about costs, expenses, other financial indicators by the company's managers:

- 3.1. Defining responsibilities for activities and costs
- 3.2. Rationale for the decision-making process
- 3.3. Analysis and use of cost information for continuous improvement in subdivisions, functions of the company and in the company as a whole.

The practice of implementing responsibility centre in industrial companies is related to some essential requirements on which the efficiency and rationality of the proposed methodology depends, namely:

- the delimitation of the responsibility centre will be made in close connection with the possibility of dividing the expenses into controllable and uncontrollable;
- the places where the expenses are: generated, identified, measured and collected will be defined;
- possibilities for accurate recording of costs and expenses will be created;
- possibilities for simple and efficient cost measurement will be generated;
- the operational cost centre will be established in accordance with the production flow;
- the methods of tracking and allocating costs will be developed depending on the specialization form of the responsibility centre;
- costs will be recorded based on actual consumption and prices;
- standards will be developed, which correspond to the current technical, technological and organizational conditions of activity;
- costs will be allocated depending on budgets;

- only the periodic and systematic reporting of costs and deviations (planned / effective), the stimulation of the inclusion in the planned budgets will lead to a permanent improvement of the system.

Conclusions

The implementation of the responsibility centres, the separation of direct and indirect expenses will give the possibility to change the calculation of the cost per product, in order to obtain the real cost, to develop and update the cost and to move to a new model of company management. The identification of direct and indirect production costs also aims to generate a market-oriented contribution margin, will estimate the possibility to cover general production and administrative expenses.

The system of accounting and calculation of costs based on the responsibility centre form excellent conditions for the budgeting process within the limits of the same area of responsibility. To implement such a process, the „budgeting from scratch” method is usually used. This approach is conditioned by the fact that companies do not have certain rules, standards for budgeting both production and functional cost units.

In order to establish the benchmark information for budgeting, experience will be gained over a period on the basis of which consumption standards will be set for the calculation of costs and expenditures. The more experience you gain, the more responsibly the budgets on responsibility centre will be and the better they will be handled by managers.

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