



METHODS, TECHNOLOGY AND CENTERS OF RESPONSIBILITY FOR ORGANIZING STRATEGIC MANAGEMENT ACCOUNTING OF EXPENSES IN ECONOMIC ENTITIES

A.A. ABDURAZAKOV

Abstract

Based on the results of the research, the article critically analyzes, generalizes and systematizes the existing approaches of scientific schools on methods for calculating the cost of products (works, services), reveals the essence of modern methods of calculation in the organization of strategic cost accounting in economic entities, proposes an integrated use matrix and a mechanism for their application. The essence of cost management technologies is stated. The procedure for organizing the activities of financial responsibility centers as an effective executive mechanism for organizing strategic cost management is covered in detail. Forms of financial responsibility centers are proposed.

Keywords:

strategic management cost accounting, integrated costing methods, management technologies, financial responsibility centers.

Author correspondence:

A.A. ABDURAZAKOV

Independent researcher, Tashkent Institute of Finance, Tashkent, Uzbekistan

E-mail: abdurazaqov.a.a@gmail.com

INTRODUCTION

Today, the accelerating globalization process requires economic entities to determine the direction and indicators of strategic development intended for the long term. After all, in developed countries this event "...it is a key factor in the success of companies and provides the opportunity to obtain fast and reliable information of strategic importance and to make important management decisions" [1].

A number of studies have been carried out to eliminate existing problems in optimizing strategic management accounting methods, which are considered the most important factor in increasing the competitiveness of companies around the world. It is also worth noting that scientific research carried out in this area cannot sufficiently illuminate the strategic management accounting of expenses in economic entities from the practical side. The lack of theoretical and practical developments in some aspects of the strategic management accounting of expenses in economic entities, the increased interest of international companies in this form of account during the period of increasing importance of Strategic Management necessitate a more in-depth analysis of the strategic management accounting of expenses in economic entities.



LITERATURE REVIEW

The theoretical and practical aspects of the effective organization and management of Strategic Management Accounting in economic entities, in particular, the practice of organizing management accounting in companies by Centers of responsibility, conducting analysis of deviations, as well as issues of maintaining management accounting on the basis of "costs-production-profit" indicators A.Apcherch, E.Atkinson, R.Banker, P.Byuer, K.Druri, K.Ward, Ch.Horngrens had detailed interpretations in their scientific work[1, 4].

Of the Economist scientists of the CIS countries, V.B.Ishavkevich, V.E.Kerimov, I.G.Kondratova, V.F.Paliy also paid special attention to the issues of organizing management accounting at enterprises on the basis of expenses, further improving the methods of calculation used in the management accounting of expenses, and budgeting in the management accounting[2, 4].

Management accounting in the scientific works of Uzbek economists A.A.Abdug'aniev, N.B.Abdusalamova, U.U.Kostaev, A.Kh.Pardaev, B.A.Khasanov, A.A.Kashimov, I.K.Giyosov in our national economy the issues of organization based on its characteristics, in particular the analysis of its theoretical issues, the methodology of its practical organization in economic entities, the formation of transfer estimates in management accounting, the improvement of assessment methods, the issues related to the main activities of the practical organization of strategic management accounting are interpreted in detail [4, 8, 10, 11].

But there is no consensus on the results of scientific research on the practical organization of strategic management accounting as a holistic system in economic entities.

Russian scientist V.E.Kerimov noted:"in our national educational and scientific literature, there is practically no published work on strategic management accounting account" [2].

Another economist scientist is N.M.Blajenkova expressed the same opinion, indicating that the issues of organizing and maintaining strategic management accounting in the practice of enterprises are now on the agenda, in connection with which in practice there is not enough attention to its essence, and in most cases it is traditionally viewed as part of management accounting [3].

From local scientists A.X.Pardaev noted:"...in countries with a developed market economy, Strategic Management Accounting is recognized as a direction of management accounting, in which information support is formed in order to make strategic management decisions. Within the framework of Strategic Management Accounting, a detailed analysis of all areas of activity of the economic entity is carried out [4, 12].

Foreign economists Mark DeFond and Jinshuai Hu proposed to improve the mechanisms of management as a result of the analysis of the relationship between the income from the production process, its cost and the cash flow from sales in the process of strategic management. [5].

B.A.Khasanov [6] and A.A.Abduganiev [12] defended their doctoral dissertations on the improvement of methodological issues of management accounting. A monograph and a textbook were published by A.X.Pardaev, in which the selection of indicators of strategic management accounting, the methodology of forecasting indicators in the future, and general methodological issues of strategic management accounting were considered [4, 7].

However, there are not many large scientific works on strategic management accounting that have a holistic systemic coverage. This situation requires the development of a number of recommendations for further improvement of Strategic Management Accounting.

The views of developed foreign countries, CIS countries, as well as economist scientists of our country and representatives of various scientific schools, as well as the results of the



study of the practice of economic entities indicate that they have not formed a single methodological approach and methodological support for organizing and maintaining strategic management accounting of financial results. This indicates the relevance of conducting scientific research within the framework of the topic.

Research methodology

In the article, in the process of scientific research, to study the opinions of economists regarding strategic cost management accounting, to monitor the process, to systematize the factors affecting the amount and level of costs, to increase the efficiency of strategic cost management accounting, to study the matrix of their integrated application and the working mechanism, to study the strategic cost management accounting as an effective executive mechanism of the organization, the mechanism of organizing the activities of financial responsibility centers was analyzed, conclusions and suggestions were given based on the results of the research by conducting a comparative analysis with the author's research.

Analyzes and results

In the current conditions of increasing globalization and mutual competition, practitioners began to pay serious attention to the «ABC» and «XYZ» systems, which include modern methods of strategic management accounting and analysis, in order to solve the complexities that arise as a result of expanding the range of products in cost accounting. The «ABC» method is also called the «80/20 rule» or the «Pareto principle».

The essence of this method is to consider the resources used in determining the cost of product production or the cost of a separate element into three groups, that is, A, B and C. Group A includes a resource whose costs make up 80% of the cost of all resources and 20% of the most expensive products, group B includes a third of resources, whose costs make up 15% of the cost of all resources, and group C includes the remaining half of resources, their share is only 5%. In this case, strategic cost management should start with the smallest and most expensive group A. The "ABS" method is very effectively used by large economic entities.

However, it also gives a better effect if used in combination with the less well-known method "XYZ" in practice. Because, when these two methods are used together, it allows them to be classified according to the consumption of resources and, accordingly, to predict the consumer demand for their purchase. The mechanism of operation, on the other hand, is in the following order: X is the resources characterized by a stable istemol value and a high accuracy of the istemol period forecast; Y - the need for resources is associated with certain traditions, which is explained by the average ability to predict them: Z is taken into account, as a group of resources that are used irregularly and whose amount of consumption is difficult to predict. Placing the results of the analysis" XYZ "in the data of the" AVS " method in a matrix way (Image 1) allows you to divide resources into nine blocks, each of which will have two characteristics-the value (price) of the resource and the degree of correctness of forecasting the need for it.

Image 1. Integrated use of the results of the methods" AVS "and" XYZ".

	X	Y	Z
A	AX	AY	AZ
B	BX	BY	BZ
C	CX	CY	CZ

decrease in control over consumption

decrease in forecasting accuracy

It can be concluded that the possibility of obtaining strategic benefits from the use of the ABS method is inversely proportional to the degree of simplification of the mechanism that makes up the cost of a unit of production. With a change in assortment, the amount of costs for the rest of the products also increases. The products produced in the largest volumes bear the bulk of the additional costs, while being highly valued and, as a result, showing little profit, or at all to the detriment. Strategically, this will allow you to enter a busy market to occupy a segment with high production volumes through aggressive low prices. This applies to more standard products. However, there are a number of problems, the solution of which allows the ABS method to adapt to the strategic cost management system.

These problems can be solved in the following ways:

1.Attention should be paid to ensuring a dynamic approach to the strategic costs of production, that is, to the distribution of current production costs to products, to reduce or even completely eliminate all costs that are not related to newly manufactured products in the value chain. To this end, in addition to the distribution of current activities to the production of products, it is necessary to constantly consider the types of activities for which the strategic cost management system is really important for the consumer and how to carry them out with maximum efficiency (Image 2).

Image 2.Matrix of cost structure analysis

		Is the activity effective?	
		yes	no
Does activity create value?	yes	B	C
	no	A	D

Only the activities of an industrial enterprise entering the quadrant A and its corresponding costs should be distributed over the products. In order for quadrants D to pass into quadrant A, they must be revised in terms of ways to increase their effectiveness. Those in quadrants C-equate to zero. In addition, it will be necessary to check whether it is possible to transfer the resources used in quadrant B to activities that generate added value.

2. In many economic entities, a significant part of the cost of production, which is of a strategic nature, arises either because it occurs long before the entry of products into the



production stage (for example, costs associated with research and development), or long after the production process (for example, marketing and sales costs). The ABS method, which is used in strategic cost management, should also take into account such cost components in full. This once again suggests that in the strategic management of costs, no matter how correctly the costs are calculated in the production segment of the value chain, they should definitely be considered on a wide scale, that is, at the level of one whole system of the value chain.

3.The ABS method is aimed at developing today's strategies. The application of expenses in strategic management, if extended to later periods, carries the risk of strategic miscalculations. Therefore, when applying the AVS method, it should be taken into account that strategic cost management involves constantly re-evaluating the current competitive position (location) and considering alternative options that are more adapted to the current conditions in order to better understand the future competitive situation. In some cases, this requires large funds and efforts for the economic entity in the direction of modernization of the cost management system.

An important role in cost management is played by another structural factor - the choice of technology. This factor is important for economic entities engaged in production. Because, many economic entities are lagging behind, unable to adapt to the level of competition in world markets due to their very slowness in mastering new production technologies. Various reasons for this situation can be considered, but we believe that it is more important to put the question as follows: what is the relationship between new technologies for strategic cost management and the analysis of capital investments?

Investing in science, innovation and technology (ITT) should be based not only on value chain analysis and strategic positioning, but above all on cost factor analysis, since technology affects important stages of the value chain with a sharp increase in the amount of cost. From a business point of view, ITT is important enough to reflect competitive advantages or production structure.

The main tool for understanding the role of technology in achieving competitive advantage is the value chain. A modern industrial enterprise is a set of technologies that are expressed in the activities of an industrial enterprise to create value for each type, and the development of Science and technology can affect competition by influencing almost any type of activity.

In general, it can be concluded that the use by an economic entity of the achievements of Science and technology, innovation and technology lead to stable competitive advantages. if:

- If ITT leads to cost reduction or deepens production and technology diversification;
- If ITT is able to ensure the stable priority of the economic entity in relation to the cost factor;

- If ITT is able to change the cost factor or its specificity in favor of an economic entity;
- When mastering ITT achievements in time can become a leader's advantage, in addition to being unique in technology;

- If ITT affects the ability to improve the overall structure of an economic entity.

From the point of view of strategic cost management, the positive impact of technology is clearly visible taking into account all three components of such management. In general, the consideration of the problem from the point of view of the value chain (a set of value-creating measures of the finished product delivered to the final consumer from the suppliers of raw materials) clearly shows this paradox: the transition to a new technology leads to financial interests, but at the stage when it is necessary to invest, no additional Further consideration from the point of view of strategic location may indicate that the transition to a new technology



is mandatory within the framework of the positional strategy for the next 10-15 years. Finally, the study of the fact of the transition to a new technology is the main structural cost factor. Thus, the activation of one of the factors for the formation of the listed costs makes it possible to draw the following conclusions:

- the most important factor determining the level of costs for managing current expenses, including on the basis of operational analysis, is the volume of production. In contrast, volume for strategic analysis is usually a less significant factor explaining cost behavior;

- In a strategic sense, it is more important to explain the cost pose from the point of view of structural alternatives that form a competitive pose;

- Not all factors that influence strategic development are always equally important, but some (usually several) can be very important in any case;

- For each cost factor, there is a special cost management system, which is important for the economic entity to find its place.

Any activity requires the presence of an executive mechanism. For the organization of entrepreneurial activity, industrial enterprises form a set of functional - functional rights and obligations of units. The structure and distribution of rights and obligations is called the management vertical, which is characterized by different levels of responsibility (subordination), which establishes a reliable and effective connection between all levels, and this should ensure the formal management of the business in market conditions. The mechanism of such adaptation was developed in the course of historical development, as a result of which various organizational structures were formed:

- Functional-division of all organizational units on a functional basis:

- Division-the function of the distribution of units by product and the activity of an economic entity is used only as a sign of grouping units that perform general functions for the entire economic entity:

- Matrix - distribution of the institution of managers responsible for working with a project or client, they can attract specialists from any departments-from products to functional departments, which most rationally organize their activities.

Regardless of the organizational structures of the cell, there are interrelationships, for the formation and selection of which certain principles are used:

- Distribution based on functional-functional tasks:

- Distribution of the link in the technological - technological chain depending on the place of work:

- Food-distribution of a particular product (group of products) on the basis of production, sale and maintenance:

- Market - formation based on a group of clients served by a link;

- Territorial-selection by location;

- Order-a special formation for the implementation of a specific order (Project).

In addition to various principles of formation, the organizational structure is also formed under the influence of factors such as the concentration of powers, the type of leadership, the type of production and the characteristics of the environment.

One of the postulates of control theory is the thesis that in order to achieve the planned result, it is necessary to control the execution of actions. Control is a mandatory element of the cost management mechanism after goal setting, planning and implementation. This is explained by the fact that the subject of control (action) and the subject of the result of this control (in this case, the financial result - profit) are weakly related to each other-these are two different



objects. By controlling the actions carried out in the process of the economic entity's activities, we ensure the implementation of the plan of measures, and not profit. To look for a way out of the problem of inconsistency between the control of real actions and their results, a theory of control was developed by the Centers of responsibility. The essence of this theory lies in the following - when performing its functional tasks, each unit of an economic entity, by its actions, contributes to the overall financial result in the form of a share of income or expenses. When asked what the financial contribution is explained by, the authors answer this way - income or expenses are determined based on the functional obligations (tasks) of this unit.

By linking the performance of functional tasks with the level of income or expenses incurred, it is possible to establish a relationship between actions and their result. At the same time, the unit becomes the center of financial responsibility (CFR), where the established level of financial responsibility must be observed in order for it to perform its functions (perform such actions). Compliance with this level means achieving a certain financial indicator (income or expenses) established for him in the budget. In this, through the level of financial responsibility, it is possible to control both actions (performance of functional tasks) and their results. With this approach, an industrial enterprise is guaranteed to receive the desired result, that is, a profit of the planned size.

- CFR is a structural unit that carries out a certain set of business processes, capable of directly influencing the costs or income from these processes and is responsible for the amount of these costs and/or income. The level of financial responsibility is controlled through the execution of budgets. If the unit cannot influence the value of the indicators entrusted to it, it will receive the status of a financial accounting center (FAC).

- FAC - is a structural unit in which the indicators of income and / or expenses established for it keep accounts, but are not responsible for their total amount.

- Cost centers refer to departments that consume different resources to carry out their functional tasks. The uniqueness of cost centers is that any separately received unit consumes resources to maintain its activities, and in this sense it is the initial, that is, the level of one of the centers of responsibility¹.

- Income centers are responsible for the income they receive through their activities. While the initial responsibility center will be the cost center, as mentioned above, they are only those who are responsible for the amount of their expenses. The unit responsible for income, on the other hand, is responsible for both expenses and income.

- Marginal revenue centers (MRC) are responsible for the marginal revenue (net income, marginal profit, gross profit) received. In this case, the business sectors are responsible only for the effectiveness of their activities in terms of direct costs, controlling the income and expenditure part of their budget. Then the income received is directed first to cover the total costs of the economic entity, and then to the formation of net profit. Marginal income centers may consist of similar centers that are responsible for the income and direct costs of activities at the lower structural level.

- Profit center (PC) – it goes without saying that units with such status will be both responsible and interested in the profit they receive. To know when to use one or the other of the responsibility centers listed above, it should be borne in mind that, taking the profit center in particular, profit appears as a result of comparing all the income of the enterprise and all its costs, that is, as the final financial result. At the same time, the marginal revenue cheat

¹PardayevA.X., PardayevaZ.A. Boshgaruvhisobi: Darslik /A.X. Pardayev, Z.A. Pardayeva. - T.: "Iqtisod-Moliya", 2019. -556 b.



establishes the correspondence between part of the income of one unit received and the direct costs corresponding to this part, and therefore is an intermediate financial result.

• Investment centers (IC) - the top of the entire financial structure. They are suitable not only for the volume of profit received, but are able to manage working capital (fixed assets and intangible assets). This means that IC will be able to attract investments, make financial investments and dispose of the funds they receive from the result. In such cases, IC is obliged to ensure the profitability of these investments and at the same time is responsible for the profitability of all assets of the economic entity. Unlike the profit center, investment centers (IC) are the highest responsibility center of the same economic entity, (usually it is one in the economic entities, and it is this jurisdiction itself that will be), responsible for all the amount of capital invested in it and, therefore, the management of fixed assets, and so on. They will have the right to make investments. The responsibility of investment centers, that is, the degree of responsibility, is determined by the ROI coefficient, that is, the coefficient of profitability of all capital invested in an economic entity.

There are three options for the formation of financial accounting centers (FAC) from departments:

- From one section (the functionality of the section is independent and to establish a single responsibility both for performing an adequate function and for its financial result);

- By combining several units:

- By separating two or more parts from a single section, each of which receives the status of a separate FAC or joins any other financial accounting centers.

Financial accounting centers are formed by combining several divisions in the following cases:

- When there are several divisions with the same type of income and/or expenses;

- When there are several units that perform interconnected work:

- When there are several sections combined with a technological chain:

- When the results of the work of one serve as a source of material for the next, and etc.

- When there are several sections that perform different functions, but in one they receive a common final result. The implementation of strategic cost management can become an effective tool that ensures the effective functioning of economic entities. At the same time, special attention should be paid to the formation of objective information about costs and places of their occurrence. The most optimal option for obtaining such information is cost accounting by responsibility centers. This makes it possible to develop successful pricing and assortment strategies in the process of strategic cost management.

CONCLUSION

Within the framework of the topic, that is, in the organization of strategic management accounting of expenses, it was scientifically concluded that an important direction is cost accounting methods. In the current conditions of increasing globalization and mutual competition, practitioners began to pay serious attention to the ABS and XYZ systems, which are considered modern methods of Strategic Management Accounting and analysis to solve the complexities that arise as a result of expanding the range of products in cost accounting. Based on the results of analyzes and scientific research, we believe that in order to effectively organize the strategic management accounting of expenses in economic entities, it is necessary to use the ABS and XYZ systems in an integrated manner. And in order for this method to work, it is advisable to introduce it in the sequence proposed in the article and using the "matrix on the analysis of the cost structure".



An important role in the organization of cost management and strategic management accounting of expenses in economic entities is played by another structural factor - the choice of technology. In this regard, the article grouped the factors affecting the formation of technology, showing the functional and strategic links between them.

It has been scientifically concluded that in order to effectively organize the strategic management accounting of expenses in economic entities, it is important to focus on the organization of financial responsibility centers. The work proposed groups of centers of financial responsibility and directions in this regard, which are now considered innovative.

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