



Cost Center Responsibility Accounting in Vietnamese Pharmaceutical Enterprises

Mai Thi Ha

University of Labour and Social Affairs, Hanoi, Vietnam

ABSTRACT:

Responsibility accounting is a concept of management accounting that was first mentioned in the US in 1950 in the work "Basic Organizational Planning to tie in with Responsibility Accounting" by Ailman, H.B. 1950. Up to now, responsibility accounting has been widely and effectively applied in many countries such as the US, France, Japan... Responsibility accounting is closely related to the management hierarchy in an enterprise. Responsibility accounting is only suitable for companies and corporations with large-scale, long-standing operations, rapid growth, company leaders who believe in decentralizing authority to subordinate leaders, and control systems. and manage operations effectively, ensuring the entire machine operates smoothly. In the production and business activities of enterprises, the existence of any department incurs certain costs. Controlling costs incurred at these centers is important and necessary. In this article, the author wants to discuss cost centers in an enterprise; and cost control of cost centers through a system of indicators and evaluation methods.

Keywords: Responsibility accounting, cost centers, manufacturing enterprises.

1. Introduction

The success in production and business activities of any enterprise depends on many factors. One of them is to organize the management apparatus well, decentralize authority and assign responsibilities to each level of management. Especially for large-scale companies, decentralization of management to departments plays a prerequisite for the success in managing production and business activities of the enterprise. Through decentralization in the organization, senior managers have the opportunity to focus on strategies, and lower-level managers have opportunities, management experience and better information when making decisions. Responsibility accounting only exists and is effective if the organization has decentralized management, and responsibility is spread across all levels of management in the organization. Therefore, responsibility accounting is to establish the rights and responsibilities of each department and member and build a system of indicators and reports as a basis for evaluating the performance of the departments. department managers. Responsibility accounting provides an information system to evaluate the responsibilities of managers within the scope of their control or influence. Responsibility accounting provides information for the performance of financial control and management control functions.

To ensure that the Responsibility Accounting system is implemented, businesses are required to build a network of responsibility centers. A responsibility center is a unit, a department, a part of an organization in which a manager is assigned specific rights and must be responsible for activities related to the assigned rights. Responsibility accounting is considered part of a performance measurement and control system used to measure the performance of responsibility centers.

The pharmaceutical industry in Vietnam was formed after World War II, starting from the manual production of brand-name drugs by prescription dispensaries. Up to now, the pharmaceutical manufacturing industry has developed strongly, playing an important role in socio-economic development. There are currently a large number of pharmaceutical manufacturing enterprises in Vietnam with different scales, so the way the management apparatus is organized also has many different features. However, most of these enterprises are organized in a functional online management system, dividing the enterprise management apparatus into functional departments with independent professional responsibilities. The highest level of management in an enterprise is the board of directors, general director, and below are department directors.

The pharmaceutical product manufacturing process also has different characteristics compared to other manufacturing industries. Pharmaceutical product manufacturing is carried out in batches. The size of each production batch also varies depending on the type of drug and consumption. Pharmaceutical products must be produced in a closed manner, ensuring high standards, so only one batch of product is produced at a time on a production line. And all production batches must be tested for quality.

With the characteristics of management organization and production and business organization of pharmaceutical manufacturing enterprises, it shows that the application of responsibility accounting systems in general and cost center responsibility accounting in particular is necessary. and suitable. This

helps businesses achieve common goals and determine the contribution of each department to the overall goals of the business. This is also the information channel to evaluate the performance of managers in the enterprise.

2. Theoretical basis

According to Anthony, Govindarajin (2001), a responsibility center is a department in an enterprise that is run by a manager and is responsible for a set of activities of that department. Every manager, no matter how high or low level, is responsible for a responsibility center. Responsibility centers only exist and are effective if the organization has decentralized management, and responsibility is spread across all levels of management in the organization. Therefore, the main responsibility center is to establish the powers and responsibilities of each department and member and build a system of indicators and reports as a basis for evaluating the performance of the departments.

A business has many responsibility centers. A responsibility center may or may not be a legal entity. Responsibility centers exist to accomplish one or more goals. These goals help achieve the overall goals and strategies of the entire enterprise. (Hansen, Mowen and Guan, 2009)

Each responsibility center uses inputs (raw materials, labor, services...) to create outputs (products, services). The output of a responsibility center can be sold to other responsibility centers within the enterprise or sold externally. The responsibility center manager will be responsible for achieving the optimal relationship between inputs and outputs.

Responsibility accounting is an accounting system that gathers results in each field and different scope because an administrator is responsible for monitoring and evaluating results for each department in the organization. Decentralization in management along with the formation of responsibility centers is the basis for building a responsibility accounting system in the organization. To ensure that the Responsibility Accounting system is implemented, businesses are required to build a network of responsibility centers. A responsibility center is an organizational unit headed by a central administrator who is responsible for the center's operations to higher-level managers.

A cost center is a responsibility center in which managers control costs but do not control revenues and resources invested in the department. Cost centers associated with the management level are operational in nature, directly creating products and services, or indirectly serving business: production workshops, production teams, assembly lines, departments functional committee... A cost center can be a small department or a large department within the organization. A cost center may contain within it smaller cost centers. Cost centers are divided into two types:

Standard cost center: is a cost center that determines the specific level of waste of resources used to produce a unit of product or service. Cost center administrators are responsible for controlling actual costs incurred in accordance with standard costs. Standard cost centers in enterprises are usually production departments such as: production workshops, production teams...

Estimated cost center: is a cost center where cost elements are estimated and evaluated based on the overall assigned tasks, without being able to specifically determine the norms for each product unit or each individual product. specific work of the center. The cost center administrator is responsible for controlling actual costs incurred in accordance with the estimated costs, while ensuring the correct completion of assigned tasks. These centers are usually departments such as: human resources department, accounting department, sales department...

In businesses, managers use cost control to evaluate the performance of cost centers and at the same time evaluate the control responsibilities of center managers. Cost center managers are only responsible for costs arising within their scope of management. In other words, the costs incurred by the organization are determined for different levels of management responsibility; costs at any level will be under the control of managers at that level of responsibility. Managers are given the right to decide on input factors (labor, materials, etc.) and are evaluated for efficiency through the use of input factors to produce a volume of output products, and product quality...

3. Developing cost center responsibility accounting at Vietnamese pharmaceutical companies

Cost center responsibility accounting is reflected in the control of incurred costs. Specifically, activities such as: (1) Classification of actual costs incurred; (2) Compare actual costs with standard costs and estimated costs.

The role of cost center responsibility accounting is shown in the following aspects: First, cost center responsibility accounting helps determine the contribution of each cost center to the overall goal of the whole organization. Second, cost center responsibility accounting provides cost information, which is the basis for a qualitative assessment of the cost center manager's performance. Third, cost center responsibility accounting is used to measure the performance of cost center managers and, therefore, it influences how these managers behave. . Fourth, cost center responsibility accounting motivates cost center managers to operate their departments in a manner that is consistent with the underlying goals of the entire organization.

In order for senior managers to determine the cost center's contribution to the overall goals of the organization, and at the same time determine the responsibilities of the center administrator, cost center responsibility accounting must be developed. Build a system of indicators to evaluate the performance of your center. From the above system of indicators, it will be the basis for building a cost center responsibility reporting system. This reporting system helps administrators evaluate the implementation of cost plans, the center's operational efficiency and the management responsibilities of the cost center administrator.

A cost center is a responsibility center in which managers control costs but do not control revenues and resources invested in the department. At pharmaceutical manufacturing enterprises, cost centers are: production workshops, production teams, production lines, and functional departments. Cost centers should be built on many levels: factory level (drug factory), workshop level (pill manufacturing workshop), production level (vacuum circulation extraction line). In these centers, the central accountant will perform the following tasks: make costs; Analyze and evaluate cost differences between estimates and actual data.

The characteristic of the pharmaceutical industry is that pharmaceutical products must strictly comply with material and technical norms, which requires the work of establishing norms and monitoring the implementation of norms to be carried out in a regular manner. For pharmaceutical manufacturing enterprises, before going into production of a drug, the enterprise must establish standard cost norms and estimate production and business costs. To evaluate the cost center's management responsibilities, it can be based on basic criteria such as:

$$\text{Difference in production cost of a product} = \text{Actual production costs incurred for a product} - \text{Standard production costs}$$

$$\text{Production cost difference} = \text{Actual production costs incurred} - \text{Estimated production costs}$$

Then analyze volume fluctuations and price fluctuations in the total fluctuations to determine the causes affecting cost fluctuations to take correct and timely measures to control costs according to norms.

$$\text{Price fluctuations} = \text{Real price} - \text{Norm price} \times \text{Actual amount}$$

$$\text{Variation in quantity} = \left| \text{Actual amount} - \text{Estimated amount} \right| \times \text{Norm price}$$

Table 1. Report analyzing the cost estimate implementation of the workshop

Evaluation criteria	Workshop:		Products:			Note
	Actual data	Estimated data	Cost fluctuations			
			Momentum change	Price fluctuations	Total volatility	
1. Direct material costs						
2. Direct labor costs						
3. General production costs						
Total						

Table 2. Report on cost responsibilities of production workshops

Evaluation criteria	Actual data	Estimated data	Difference
1. Production costs of the workshop 1			
2. Production costs of the workshop 2...			
Total			

Table 3. Report of cost responsibilities of departments

Evaluation criteria	Actual data	Estimated data	Difference
1. Sales department expenses			
2. Accounting costs...			
Total			

4. Conclusion

After nearly 100 years of establishment and development, Vietnamese pharmaceutical manufacturing enterprises have made many positive developments in many aspects. Especially the change in management organization and organization of production and trading of pharmaceutical products. The management organization is carried out according to a functional online model and production and business organization follows a closed model. The responsibility accounting model is built in accordance with the hierarchical organizational structure of the enterprise and meets the information needs of managers. Therefore, building a responsibility accounting system in Vietnamese pharmaceutical manufacturing enterprises today is necessary to control costs and use capital effectively. However, the number of pharmaceutical manufacturing enterprises in Vietnam is many and diverse in scale, so the organization of the responsibility accounting system depends on practical conditions and characteristics of production and business organization, strategic goals strategy of each pharmaceutical enterprise. Administrators of Vietnamese pharmaceutical manufacturing enterprises when building a responsibility

accounting system need to pay attention to efficiency, consider the benefits obtained and the costs spent to build and maintain the system. this to make appropriate decisions.

Cost center administrators always try to control costs so that costs incurred at the center are lowest. To do this well, center managers must clearly understand the nature of costs, the causes of costs, and the causes of cost fluctuations to have the best cost control solution. Cost center accounting provides information about cost differences, causes and solutions, which are the basis for senior managers to evaluate the performance of cost centers in their organization.

Currently, the responsibility accounting system in general and cost center responsibility accounting in particular is still a new problem in manufacturing enterprises in Vietnam. Theoretically, the established responsibility accounting system will provide assessment tools and indicators and direct managers in departments to achieve the common goals of the organization. This system includes two aspects: information and responsibility, providing information to senior managers and indicating who is responsible for explaining the causes of the department's results. Thus, if current manufacturing enterprises should build a responsibility accounting system in general, and cost center responsibility accounting in particular, it will facilitate good cost control and improve efficiency. capital and achieve the overall goals of the business.

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