

Implementation of Responsibility Accounting System Towards Cost Control and Cost Center Performance

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ABSTRACT

Business competition requires companies to be able to look ahead and anticipate all possibilities that will affect the company's business development and hinder business development and growth. Responsibility accounting is a system that is structured in such a way as to suit the nature and activities of the company with the aim that each organizational unit can be accountable for the results of the activities of the units under its supervision. The aim of this research is to analyze in more depth the role and function of responsibility accounting as a tool for controlling and assessing cost center performance. The research method used in this research is using a literature review, especially articles published on Google Scholar. The articles listed are studied and analyzed in more depth using several keywords such as responsibility accounting, performance assessment, cost center and cost control. The results of this research conclude that the implementation of responsibility accounting greatly influences control and performance assessment in cost centers. Responsibility accounting will comprehensively measure and assess cost centers based on a comparison between budget targets and the actual budget that has been spent. By assessing the performance of cost centers, the company will be able to control and separate controllable costs from uncontrollable costs by each responsibility center, so that it can account for the costs incurred by the company.

INTRODUCTION

In the increasingly rapid era of technology and globalization, the world economy is also getting tighter, especially in the trade industry. Companies are increasingly required to be able to identify, manage and improve all business processes so that the company can continue to survive (going concern) and can compete with competitive companies. One way that companies can face increasingly strong competition is by increasing control over costs and improving company performance. Every company is required to continue to innovate to come up with good strategies with minimal costs so that the company can continue to grow and obtain the desired profit, and the company also has good internal control to be able to manage all costs incurred appropriately and accurately so that costs can be controlled. and well controlled. The responsibility accounting system is an important method for management to control costs in managing company expenses and income. In responsibility accounting, the cost system will be connected to a line of managers who have the authority to control all types of costs and resources incurred by the company.

Responsibility accounting is a system that measures the various results achieved by each responsibility center according to the information needed by managers to operate their responsibilities (Hansen & Mowen, 2012). Responsibility accounting is identified as an administrative accounting method that aims to support performance control through responsibility for costs and revenues. Planned expenditure and income responsibilities can be controlled so that managerial performance can be assessed based on a comparison of the budget spent with the actual costs incurred.

Effective implementation of responsibility accounting can be achieved by giving authority and responsibility to subordinates, and evaluating its implementation properly so that the work objectives of responsibility accounting can be achieved. The application of responsibility accounting itself needs to meet the requirements, namely budget, organizational structure, classification of controlled and uncontrolled costs, classification and account codes, and cost reporting are also required. (Suryani et al., 2021) So, the budget is a very important tool in managing, controlling and making decisions within the company.

For the sake of the company's survival, controlling the costs that will be incurred by reducing ineffective costs in the company's spending process must be carried out appropriately and effectively. The application of good responsibility accounting will create control and assessment of management performance which will further increase management's commitment to minimizing costs and the possibility of misuse or irregularities in company expenditure.

Of course, to be able to encourage management to improve performance, sometimes companies will motivate by providing incentives and compensation in giving bonuses if the performance shown is sufficient or very good for the company. However, it can work in reverse, if the performance shown by the company is poor or not good, there will be strict sanctions given by the company to encourage the desire to show increased management performance in controlling the amount of costs incurred.

Empirically, Hutabarat (2020), Harianja and Meriyani (2020), and Favian et al. (2021) suggest that responsibility accounting information can effectively determine performance while motivating managers to develop themselves and improve work performance.

Based on the description above, responsibility accounting helps as a basis for creating a manager performance assessment system, including the process of controlling and assessing performance on costs incurred by the company. Based on this background, the author is interested in creating the title "Application of Responsibility Accounting as a Cost Control Tool and Cost Center Performance Assessment".

Based on the description above, the problem formulation in this research is as follows:

1. Can the implementation of responsibility accounting for costs in a company be categorized as running well?
2. Will responsibility accounting in a company act as a tool for cost control and performance assessment at cost centers?

Based on the problem formulation described above, the objectives of this research are:

1. To find out the implementation of responsibility accounting for costs in a company, it can be categorized as running well.
2. To understand the role of responsibility accounting as a tool for cost control and performance assessment at cost centers.

LITERATURE REVIEW

Responsibility Accounting

Responsibility accounting is an accounting system used to measure the performance of each responsibility center according to the information managers need to operate their responsibility center as part of the management control system (Favian et al., 2021).

According to (Hutabarat et al., 2020) Responsibility accounting is a management accounting concept and accounting system that is linked and adapted to the responsibility center in the organization. Responsibility accounting emphasizes the accounting process that reports the extent to which the manager of each responsibility center can manage the work directly under his supervision and responsibility or as a system that measures the plans and actions of each responsibility center.

According to (Prasetyorini et al., 2024), responsibility accounting is accounting information designed by the company and divides the organizational structure into several parts according to responsibility centers, and these people have clear authority and responsibility.

Responsibility accounting is a system structured so that the collection of costs and revenues is carried out in accordance with the responsibility center within the organization. According to (Ummammy et al., 2023), responsibility accounting aims to assess the efficiency of an organization by analyzing its responsibility center.

From the definitions above, responsibility accounting is a system prepared or designed by a company to be able to measure an action of responsibility in accordance with its responsibility center to control and measure all plans or actions taken.

Basic Concepts of Responsibility Accounting

One concept that exists in accounting management and the accounting system that is linked and harmonized in the management centers in the company is the meaning of Responsibility Accounting. This term refers to the stages of accounting that reveal so that central managers can determine which work is under their supervisory responsibility. (Rahmi, 2022)

There are 2 important types of responsibility accounting, namely (Devary, 2024):

1. Responsibility accounting at cost centers
Responsibility accounting at cost centers where these cost centers produce products & services. Cost centers establish relevant cost objectives for output levels. The benefits of responsibility accounting in cost centers provide control in decision making in the long and short term. The application of responsibility accounting to cost centers is quite important for controlling cost income because in cost centers performance assessments can be carried out.
2. Responsibility accounting in management
Responsibility accounting in management is assessed and controlled in the budget section, so it will be easier for the management section to assess or evaluate the management performance section, because in the budget section it can be easily seen if deviations/misappropriations occur.

Performance Assessment

According to Mukhtar (2021) performance is the result of work that is needed within a company in order to achieve a goal so that it is required to improve employee performance. One way is by performance assessment. Performance appraisal or what can be called performance appraisal is a process for evaluating and also assessing the performance achievements of subordinates.

Performance appraisal plays a very important role in increasing employee work motivation. Performance assessment is used to develop an organization or company effectively and efficiently.

Purpose and benefits of performance appraisal

The purpose of performance appraisal according to (Sambas et al., 2024) is to inspire workers to meet organizational goals and comply with predetermined standards of behavior to produce desired results. Management policies or formal goals outlined in a budget can serve as standards of behavior. Through feedback on performance results, performance appraisals are used to prevent wrong behavior, encourage desired behavior, and enforce it.

METHODOLOGY

The method used is a literature review approach. Literature review is a scientific process that produces output in the form of a report which is intended to provide evidence or approach a particular problem (Cahyono et al., 2019). In creating literature, there are generally 3 main processes, namely planning, conducting and reporting. The first stage is Planning, in this stage, it focuses more on the final goal of the research. The main objective of this research is to determine whether the application of responsibility accounting can be used as a performance assessment tool. And the second objective, to find out whether implementing responsibility accounting will affect the performance of the cost center

The second stage is Conducting (conducting a review). In this stage the aim is to find out whether a previous article is relevant or not to this research. This stage carries out data selection and analyzes the data in more depth as well as synthesizing articles to obtain relevant literature. The data source in this research is secondary data (referred to as secondary data because all the data to be analyzed comes from internet searches). Literature searches in this research can use various types of databases such as Google Scholar and Mendeley with the keywords Responsibility accounting, Performance assessment, Performance and Cost center. In this stage, an analysis will be carried out and a deeper study will be carried out on articles that use these keywords. Several criteria needed in selecting articles to be used include: Research articles must be original (not a research review), published by an accounting journal, research conducted within a 5 year period (2019-2024). From the article selection, 6 articles were obtained which were used as the basis for literature references in this research. By selecting these articles, it is hoped that this research can be useful as a theoretical basis for future research related to the application of responsibility accounting in assessing cost center performance. The third stage that needs to be done is reporting. The reporting stage is where researchers analyze the results of data extraction so they can find information and knowledge. Researchers will conduct more in-depth research to relate to the information in this research research so that it can provide maximum benefits to readers.

RESEARCH RESULT

Responsibility accounting for cost centers is an accounting approach used by companies to identify, measure and manage costs related to expenditure activities within the company.

According to (Silalahi et al., 2024) a cost center is a responsibility center whose manager is only responsible for costs, and the success of the manager is measured on the basis of the input or costs incurred. In evaluating the cost center manager's performance assessment, it can also be assessed by comparing the realization with the budget. From the results of this comparison, you will get an idea of the deviation or embezzlement of costs that occurs in the company.

The main objective of cost responsibility accounting is to provide relevant and accurate information to management in making decisions regarding resource allocation and cost control within the company.

In every company activity, it is of course very important to control and assess the performance of cost centers. With the existence of a responsibility accounting system, all income and expenditure activities carried out by the company can be well controlled by managers in each responsibility center. Managers will also be able to gain benefits by exercising full control over cost centers, if the performance is seen to be sufficient or even very good, then managers will be able to obtain incentives or bonuses because they can control and minimize all costs incurred in accordance with expenditure items and can be useful for the company. Of course, by carrying out this control, there is no possibility or opportunity for fraud or deviation to obtain the promised incentives or bonuses. However, managers can also be motivated to show their qualities as a good accountant and have high integrity.

This is of course in line with research conducted by (Suryani et al, 2021) with the title "APPLICATION OF RESPONSIBILITY ACCOUNTING AS A TOOL FOR COST CONTROL AND PERFORMANCE ASSESSMENT" showing that in the research carried out by taking Iskandar Muda Hospital as a research object, it was found that the implementation of responsibility accounting is still not effective in controlling costs and assessing performance because the accountability accounting system has not been implemented regarding the classification of controlled and uncontrolled costs in implementing the Iskandar Muda Hospital budget. Of course, this means that it is not yet optimal to control the amount of expenditure and the manager's performance assessment which is still not motivated to continue to improve because there is no reward system or awards given if they can achieve the cost targets expected by Iskandar Muda Hospital.

Research conducted by (Lubis et al. 2020) with the title "APPLICATION OF RESPONSIBILITY ACCOUNTING AS A TOOL FOR COST CONTROL AND PERFORMANCE ASSESSMENT AT UD. JAYA ABADI" shows that one of the factors that can support the success of responsibility accounting as a tool for cost control and performance assessment is the existence of a clear organizational structure. The organizational structure will be a delegation of tasks and responsibilities to be able to control costs and encourage managers to improve performance in their functions regarding the costs incurred by the company. Because the company is still on a small scale, there is no reward system that can trigger managers to increasingly demonstrate optimal performance.

Research conducted by (Urifah et al., 2021) with the title "APPLICATION OF RESPONSIBILITY ACCOUNTING AS A TOOL FOR COST CONTROL AND PERFORMANCE ASSESSMENT (Case Study at PT. Sumber Aulia Sidoarjo)" shows that the application of responsibility accounting as a tool for controlling production costs in case study performance assessment at PT. Sumber Aulia Sidoarjo has not been implemented optimally with several indicators of responsibility accounting that have not been met, such as the absence of separation of types of costs, both controllable and uncontrollable in the company. This of course has a big

influence on cost control in the company. If it has not been implemented effectively, then of course you will not be able to carry out a clear performance assessment because you cannot know whether there are deviations or not in the budget issued and the absence of rewards also cannot encourage managers to be motivated to carry out cost control over the budgeted costs towards the realization of costs.

Likewise, research conducted by (Salesti et al, 2022) with the title "IMPLEMENTATION OF RESPONSIBILITY ACCOUNTING WITH BUDGET AS A COST CONTROL TOOL IMPLEMENTATION OF RESPONSIBILITY ACCOUNTING WITH BUDGET AS COST CONTROL TOOL AT PT INSPEKTINDO SINERGI PERSADA" shows that the implementation of responsibility accounting at PT Inspektindo Sinergi Persada is adequate in controlling costs, including recognizing any irregularities in the costs incurred. However, this research does not include an assessment of the manager's performance to further improve the quality of the company's performance with additional rewards or advantages obtained if fulfilled.

Research conducted (Hutabarat et al., 2020) with the title "APPLICATION OF RESPONSIBILITY ACCOUNTING AS A PERFORMANCE EVALUATION TOOL OF PT GUNUNG SELAMAT LESTARI LABUHAN BATU SELATAN" shows that the application of responsibility accounting in controlling and evaluating company performance at PT. Gunung Selamat Lestari Labuhan Batu Selatan has been running effectively and efficiently, this is proven by the participation of lower level management in the budget determination process. The budget that has been approved will then be used as a means of controlling the company's operational activities by top management and the responsibility center managers will evaluate and analyze their actual achievements based on the budget. This research does not provide a complete explanation regarding cost control that can be carried out if responsibility accounting can run effectively.

From several studies above, it is stated that responsibility accounting can play a role and function optimally in controlling costs in the company if several factors are met, such as the existence of a clear organizational structure in the delegation of tasks and authority in managing the cost budget and its realization. There is a classification related to existing costs in determining the existence of controllable and uncontrollable costs to monitor and control existing costs. And the existence of responsibility accounting will also be able to improve managers' performance assessments in minimizing costs incurred to reduce unnecessary costs, as well as indicating if there is fraud or cost irregularities in the company. Performance improvement can be stimulated through various rewards or awards given if the performance given is satisfactory, and vice versa.

CONCLUSIONS AND RECOMMENDATIONS

Based on an in-depth literature review analysis of several previous studies and various sources that have been carried out, it can be concluded that:

1. The role of responsibility accounting in all business sectors, both

government and private sectors, shows that responsibility accounting will have a big influence in controlling and assessing the performance of a company, especially in cost centers. Responsibility accounting should involve all managers as the center of responsibility, where if there is a top down organizational structure then the implementation of authority and responsibility will fulfill the planning levels for implementing responsibility accounting as a system for controlling and evaluating performance.

2. The role of responsibility accounting for cost centers will be to be able to provide an overall assessment of the accountability report between the budget that has been issued and the realization of the budget for each department as well as the classification of cost components that can be controlled and costs that cannot be controlled, so that the company's performance can be clearly assessed.
3. There is a gift *punishment* or rewards for performance given against costs can further motivate managers to improve their performance, especially if the rewards given are in the form of incentives that can further stimulate increased performance. However, this also needs to be taken into account considering that the provision of rewards, especially incentives, can also trigger irregularities or fraud if there is no more control in carrying out in-depth checks and controls on the costs incurred.

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