

International Conference on Leadership, Technology and Innovation Management

The Use of Contemporary Developments in Cost Accounting in Strategic Cost Management

Sudi Apak^a, Mikail Erol^b, İsmail Elagöz^c, Metin Atmaca^d

^a *Beykent University, İstanbul, 34396, Turkey*

^{b,c,d} *Çanakkale On Sekiz Mart University, Çanakkale, 17000, Turkey*

Abstract

For harmonizing production processes and providing an effective production process in industrial enterprises, the first measure to be taken is to use contemporary developments that are appropriate for the structure of the enterprise. In order for the industrial enterprises to be successful, the costing system in each production system should be determined and managed efficiently. Taking as basis the cost management system is to help maximize the profit of the enterprise. For achieving this aim, contemporary enterprises should get ready for the future by constantly renewing themselves as well as competing under today's circumstances. The fierce competition circumstances of today's world and the gradual shortening of the product life cycle compel the enterprises to simultaneously achieve their cost, time and quality objectives. The said situation requires the enterprises to launch to the market their products with a lower cost, higher quality and faster as compared to their competitors in order to meet the needs and demands of the customers, and this accomplishment can be realized by using modern costing systems in production. This study examines the use of contemporary developments in cost accounting in strategic cost management.

Keywords: Cost, Contemporary Developments, Strategic Cost, Management

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1. Introduction

Since the principal aim of enterprises is to gain profit, they seek to keep costs under control by applying strategic cost management. The principal aim of the cost management system is to help enterprises maximize their profit. For achieving this aim, contemporary enterprises should constantly improve themselves and get ready for the future as well as competing under today's circumstances.

*Corresponding author. Tel. +90-212-867-5205
E-mail address: sudiapak@beykent.edu.tr

Therefore, enterprises should achieve global competition and continuous improvement while establishing their cost management systems.

The approaches that have attracted much attention in recent years in cost management systems are modern costing approaches. The study, first, examines the contemporary approaches in cost accounting and then the use of these approaches in strategic cost management.

2. Literature Review And Hypotheses

Accounting has been the most controversial field which has drew much attention on the intellectual side. The objective of all the new accounting theories is to turn accounting data into information to be used in decision-making by the management [1].

In the early 20th Century, the financial reporting aspect of accounting, which is outside-oriented, weighed heavily and this caused the managerial aspect of accounting to be neglected [2]. Success factors of enterprises have been limited by the globalization of trade, transformation of enterprises into international companies, fierce competition, increased attention to customer satisfaction and the shortening of the product life cycle. These success factors can be listed as follows [1]:

Cost: In today's world, enterprises are under great pressure in terms of reducing the costs of their products and services. Enterprises have to perform production at a lower cost without compromising quality in order to be ahead of their competitors.

Quality: Customers' quality product expectations have considerably increased in recent years. Customers want to buy products that have a high quality with a cheaper price.

Timing: For instance, an enterprise must act just in time in processes involving the raw materials and materials suppliers, production and presentation of the products to customers. If there is a delay in these processes, the gap will be filled by the competitors.

Creativity (Innovation) and Differentiation: In order to be ahead of competitors, enterprises have to renew, differentiate their products and services and to develop new products and launch them on market.

3. Methodology

The developments in information technology, different information inquiries of managers and third parties and customers' demand of products that have a high quality with a cheaper price caused enterprises deploy new applications in cost accounting. Some of the said applications are explained below [1].

Activity Based Costing (ABC): Activity based costing is the loading of indirect costs on products in a more detailed manner. The approach adopted in this kind of costing is to focus on activities and to load activity costs on cost carriers by taking into consideration the activity uses of the cost carriers that load source costs on activities by taking as basis the source usage of the activities.

As a source-usage model, activity based costing is a system that tries to find the costs of the sources used in order to perform the activities necessitated by various outputs [3].

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