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A new vision of quality cost: an essential optimization tool for managerial accounting

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Abstract

If we start from the assumption that all people have always wanted a high quality, we find that for centuries, they faced with huge and unstable forces which required changing strategies to achieve the desired level of quality. Nowadays, if we look around, we see a very dynamic economic environment, which requires managers to impose a proper set of qualities including skill and flexibility. The purpose of the article is to present quality cost like an essential optimization tool, which influences the economic aspects of managerial accounting in two fundamental ways: the effect on income and the effect on cost.

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1. Introduction

If we start from the assumption that all people have always wanted a high quality, we find that for centuries, they faced with huge and unstable forces which required changing strategies to achieve the desired level of quality. Nowadays, if we look around, we see a very dynamic economic environment, which requires managers to impose a proper set of qualities including skill and flexibility. Therefore, all managers want their companies to produce high quality products in order to be competitive on the market, or, why not, to gain supremacy - in terms of quality - in a particular branch of activity. Finally, the results of a company's good managerial accounting is reflected in the quality cost optimization.

Quality cost is an accounting tool that requires a special management attention because of the many changes and transformations occurring both internally and externally. It must be determined, evaluated and analyzed in accordance with existing political changes, social or economic. When a company takes into account quality issues, management focuses primarily on obtaining quality as a source of profit. In this context, appears the need to know the cost of quality, because a reduction is a benefit both for the company, to obtain a positive result, and for the consumer, to meet the required needs.

2. Quality cost cult

Many professionals concerned with quality of the world noticed and criticized the attitude of many managers in terms of quality. Feigenbaum proved that the lack of the relation between manager and quality is the cause of the slow down of the quality programs. Juran blames the managers for not taking seriously the issue of quality and are

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concerned only with financial resource management. Hacker stated at the European Congress of Quality in 2000 that a manager must become a real trainer and that the American movement for quality passed beyond the quality of the process to "the human spirit of quality".

Keeping in mind the vision of quality in the course of time, we can state that quality cult becomes a complement to economic activity. This must be instilled to the players at the economic and social processes involved in the mechanism of gaining value.

Managerial accounting plays a key role in fostering quality as it has to weigh up the advantages and disadvantages resulted after the existence or lack of an optimal level of quality. Practically speaking, managerial accounting makes a contribution to the decision-making system through cost analysis, planning and budgeting, the formulation of decision-making judgements, the analysis of using resources, pricing analysis, the control of all these activities through specific methods and provision of information in terms of deviations and ways of correction, etc.

Among the fundamental principles of managerial accounting, the improvement of quality bulks action which means the decrease of non-quality, respectively the target to the desideratum "zero defects". Thus, the vision of management on the quality cost must be a constant concern that should be reconsidered at all levels in a company. If the vision is in itself a possible act without costs, we can't state the same thing about the defective product. As a matter of fact, the costs referring to quality stand for an important tool of quality valorization but also a source of increase in the profit of the organization.

The quality cost can help us identify the weak points of the process but can also be considered as a milestone for the establishment of measures of improvement and optimization in a certain sector of activity. Practically speaking, process costing in terms of quality doesn't stand for the absolute measure of performances in an organization, but if they are included in an efficient system through managerial accounting they may become important factors in the support of the campaign as a whole.

The creation or improvement of quality can be achieved by:

- Making the commitment that the primary concern of management is quality;
- Non-quality cost cutting through the prevention of flaws and noncompliance;
- The improvement of the commercial image of the products/services and implicitly of the company through answering the clients' needs and not only providing a good product;
- The increase of global productivity of the organization as a result of the improvement of processes;
- The increase of efficiency and effectiveness of processes;
- The substitution of the concept of "acceptable level of quality" with the target "zero defects";
- The achievement of expectations, the increase and assessment of satisfaction of those concerned, etc.

The vision of a continuous improvement of quality is very important and will lead us to a necessary practice within an organization, taking into consideration at least three reasons:

- Beside the economic effects we must keep in mind the other categories of effects that don't make a direct contribution or on a short-term to the increase in the profit of the company but ensure a better satisfaction of all concerned. Considering the matter on a long-term, the company will improve its image as being socially responsible and will record profit growth. At this point, technical and social effects should not be neglected because they make a contribution to the general progress and ensure long-term welfare;
- Quality is a technical, economic and social category continually changing as a result of modification of human needs but also from the point of view of technical progress. A decrease of concerns and resources allocated for the improvement of quality might result in the decrease of competitiveness of the organization having small consequences;
- Customer orientation infers to place him at the core of the organization's attention and an increased concern for the optimization of quality concerning the customer or user.

Although they are not the only ones, these reasons can be enough to justify the orientation towards continuous improvement, specific to the management of total quality. Considering the continuous improvement of quality at the level of the organization in relation to those mentioned above, it should pass through more stages:

- To establish and achieve the optimal level of quality based on the costs by the increase of the expenses of prevention-insurance and also assesment, at the same time with the drop off of losses due to non-quality and inferior unplanned quality;
- More concern for the improvement of quality above this level aiming to cover the specific expenses from the effects achieved;

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