



## ACCOUNTING BASED ON RESPONSIBILITY CENTERS AND THEIR ROLE IN REDUCING COSTS

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| <p><b>Received:</b> 22<sup>th</sup> August 2023<br/><b>Accepted:</b> 22<sup>th</sup> September 2023<br/><b>Published:</b> 26<sup>th</sup> October 2023</p> | <p>The study aims to demonstrate the relationship of liability accounting in cost reduction with performance evaluation, and the use of cost on the basis of liability accounting Centers , for the effectiveness of planning ,control, performance evaluation and cost reduction in the Iraqi Khazer company, and work on the types of responsibility centers in it . The researcher used the method of analysis, and the sample of the study was represented by Al-Khazer company, an industrial company, interested in the trade of building materials, real estate investments and general contracting, one of the formations of the Iraqi Ministry of industry and minerals, with time limits set for the year 2021, where the problem of the study was posed by the following question: "How is accounting based on And what is its role in reducing costs " after delving into the details of the theoretical and practical study of it, the researcher concluded that evaluating performance according to the Centers of responsibility, represents the line of Defense for the company's survival in the market, and raises the competitiveness of its products , by linking each center of responsibility with a specialist manager, the results indicate , We note that there is a reduction in costs in some centers ,and this indicates that the company is aware of the risks assigned to it , and is working to rationalize costs for the better , and the researcher recommends that the company's performance should be divided into more responsibility centers ,linking each responsibility center with its own manager , and shouldering all responsibility towards improving performance and reducing competitive position based on performance.</p> |

**Keywords:** Responsibility centers - cost center - revenue Center-profit centers.

### INTRODICTION

The current era is characterized by intense competition between institutions, so under these circumstances , these institutions have become looking for how to stay in the market and continuity, and not just how to enter the markets , and therefore they must improve and develop the pricing methods of their products so that they can ensure their continuation in the market, with the sweep of new markets. Among these methods , we find the method of working according to the Centers of responsibility , targeting a targeted cost that seeks to achieve customer satisfaction, by focusing on quality at the right price and on the satisfaction of the company through achieving profits, sweeping the markets and the permanence of its competitive advantage. The cost accounting system is a subsystem that provides information to improve the decision-making process , and the pricing decision is considered one of the most important management decisions due to its impact on the profitability of companies in the short and long term.(Student , 2019: 51) the identification of responsibility centers is one of the basic components of the liability accounting system , and in order to achieve the objectives of the liability accounting system , as long as the company has a clear organizational map ( organizational structure ) showing the powers and competencies of the various administrative units , which make up the economic unit and are called these units (responsibility centers) .(Valid , 2017) .With the emergence of the concept of liability accounting as a result of the expansion of the size of companies, the large and multiplicity of their work and functions, along with the many decisions and interrelated relationships within them, senior management became unable alone, which necessitated dividing the institution into semi-independent units that facilitate their management, allocate part of the resources to each of them and delegate performance.(Aoun , 2019 : 1) as a result, this study came to highlight the accounting on the basis of responsibility centers and their role in reducing costs. In order to achieve this , it was



divided into three parts , the first part presented the methodology of the study , the second part presented the theoretical literature, and the third part presented the practical side and the conclusion of the study.

## **FIRST : STUDY METHODOLOGY**

### **1.1 Problem Of Study:**

The liability accounting system is the system according to which it is possible to prepare reports on the performance of managers of liability centers in order to achieve control over the work of these centers and their costs, so the importance of the liability accounting system is increasing , As a result of the expansion of projects and their large size, it became difficult to control them, which led to the division of the enterprise into semi-independent internal units, to which some competencies and decisions are delegated, as well as functions and works previously assigned to them that had to be implemented, in order to achieve optimal performance and proper utilization of resources, from which it became necessary to tighten control and limit responsibilities, using methods that increase the strength of control and evaluation, and the search for tools that help the liability accounting system to work more efficiently to achieve its objectives in order to contribute to reducing cost levels. After relying on the research literature such as the study of (Abdul Razzaq, moaini, 2013), (Hassan, 2017), (Abdul Sattar, 2013), (Ali, Hadi , 2018), (Ibrahim , 2014), and therefore the problem of the study can be posed by the following question: "How is accounting done on the basis of responsibility centers?" And what is its role in reducing costs".

### **1. 2 Importance Of Study:**

The importance of the study is based on the statement of the importance of preparing planning budgets, performance reports at the level of responsibility Centers , for Al-Khazer company and reaching an analysis of the reasons for the change and explanation in the overall performance of the company, linking them to the responsibility centers ,and statement of evaluation of each department of the company separately and accounting for its costs ,and the level of profitability in accordance with liability accounting, and reaching an independent assessment of its efficiency and effectiveness evaluating its performance , and trying to discover the impact of the performance of each department or activity on the performance of other departments or activities in the company , and then indicating the total value of the total performance under the conditions of this entanglement and overlap between activities within the company .

### **1.3 Objectives Of the Study:**

The study seeks to describe the responsibility centers and their types, the relationship of liability accounting in cost reduction with performance evaluation, and the use of cost on the basis of liability accounting Centers for effective planning, control, performance evaluation and cost reduction.

### **1.4 Hypothesis Of the Study:**

The use of cost based liability accounting centers increases the effectiveness of planning, control, performance evaluation and cost reduction.

### **1.5 Sample Study :**

The sample of the study was represented by Al-Khazer company, an industrial company, interested in the trade of building materials, real estate investments and general contracting, one of the formations of the Iraqi Ministry of industry and minerals .

The researcher based his proposal for the study methodology on many studies , the most important of which is a study (Mansour ,Obaid, 2019) .Feedback from managers of responsibility centers of industrial enterprises on the application of standard costs for loss control. It aimed at measuring and testing the reactions of managers of responsibility centers in industrial facilities to the application of standard costs for loss control. The problem of the research was to answer the following question: are managers of responsibility centers in industrial enterprises inclined to accept the application of the system of standard costs to control losses The researchers used the questionnaire to collect qualitative data on the research variables. The measurement method used in the research is the two-weight puppet variable (0: 1). Where one indicates the disinclination of department managers to work under the standard cost system, while zero indicates the tendency of department managers to work under the standard cost system. To test the significance of statistical differences, the researchers adopted the Run test method, which is one of the models of non-parametric tests. The research found that managers of responsibility centers in industrial organizations in Sudan are not inclined to accept the application of the standard cost system to control losses. They attribute this to the fact that the system of standard costs holds the managers of the Centers of responsibility in the production departments for the inadmissible deviations in the materials used as well as in the quantities produced.



A study (Sharif , 2018) indicated. The use of liability accounting in evaluating the performance of companies (Hotel and tourism sector) listed on the Iraq Stock Exchange. To indicate the extent of using liability accounting in evaluating the performance of economic units ,including the hotel and tourism sector research sample, the performance evaluation criteria used in evaluating the performance of investment centers were studied, and to identify the results of applying these criteria, namely (the rate of return on Invested Capital, residual income, and added economic value) on companies (Hotel and tourism sector) listed on the Iraq Stock Exchange through the financial statements published for 2015, and one of the most important results reached was: The study showed that applying the rate of return on Invested Capital criterion for Baghdad hotel achieved the highest rate of return on invested capital amounting to (35.7%), which is higher than the required rate of return amounting to (12.5%), thus Baghdad hotel ranked first according to this criterion, Al Mansour Hotel came in second place where it achieved (16%), while Palestine hotel came in third place where it reached (14.6%) and the results of Baghdad hotel, Al Mansour and Palestine are good because they are higher than the required rate of return.

A study (Mohamed , Bakri , 2011)expanded value engineering and process reengineering and their role in reducing costs.To keep pace with the enormous and accelerated leaps in the development of pure and Applied Sciences and technological progress, which led to the emergence of new concepts that have abolished the postulates and axioms that have prevailed for a long time, for example: The stock of raw materials and finished goods in industrial or commercial enterprises formed the backbone of its costs and problems, even if the JIT system abolished these concepts with its applications and adopted a new concept (production from hand to mouth), and the concepts of cost and pricing abandoned and became obsolete with the emergence of the philosophy of the market of free competition and globalization, and the customer became the common denominator and the basis for the success or failure of all enterprises, if the customer is not satisfied with a product because of his changing tastes or consumer inclination, there is no point in producing the goods, even if she was in perfect style. Hence, the concepts of value engineering and process reengineering came as one of the most prominent modern administrative and technical methods appropriate to keep pace with scientific progress and changes in the business environment to achieve the main goal sought by institutions today, which is to meet the requirements and desires of the customer by achieving two goals: reducing the cost of the product and improving its value to and components, studied and analyzed. The process reengineering approach focused on the need for enterprises to change their operations and activities.

A study showed (Abdul Razzaq , Salman, 2011).The possibility of using liability accounting within the framework of the traditional budget method followed in Iraq "is an applied study in some hospitals of Medicine city.The general budget of the state in Iraq is still prepared according to the traditional basis, which allocates the current year's budget amounts on the basis of the previous year's budget with an increase in estimates at random rates, without linking inputs (financial resources, human resources, assets) with its outputs (quantity, quality) causes waste and loss of available resources. Therefore, it was necessary to adapt the outputs of the state general budget in such a way as to achieve a link between its inputs and outputs and in accordance with the organizational structure of the state and without fundamental changes in its work, by adapting liability accounting in service units, and this research is based on a basic premise that the state general budget can be prepared on the basis of responsibility centers by dividing the work of government service units into responsibility centers and allocating available resources on the basis of linking the expense element to the appropriate basis and according to the expected volume of activity for each responsibility Center in order to achieve linking inputs to outputs, with indicators to measure the performance of responsibility centers to achieve control of efficiency and effectiveness Services as well as financial performance control. The study showed the need for additional financial statements to enhance the outputs of the government accounting system, which is a tool for the implementation of the general budget, in addition, the researchers concluded the possibility of using liability accounting with the traditional budgeting method orientation by adopting the measures of efficiency and effectiveness stated in the study.

## **SECOND :THEORETICAL LITERATURE**

### **2.1Concept Of responsibility Centers:**



The increasing trend towards decentralization in management has forced the adoption of a liability accounting system to be a management tool, in monitoring the actions of officials, and senior management delegates the responsibility center managers the authority to make decisions, in exchange for retaining the right to hold the responsibility center managers accountable or accountable for the results, through the liability accounting system, the liability accounting system can be defined, It is an accounting system that seeks to monitor and evaluate performance in the light of the performance of individuals or officials in the implementation of their duties within the limits of the powers delegated to them in accordance with the principle of appropriate cost in a timely manner ,by linking accounting reports to the effectiveness of employees .(Al-Adam , al-Rizk, 2000: 358 ) .In order to achieve the objectives of the liability accounting system, the economic unit must have a clear organizational map ( organizational structure ) indicating the powers and competencies of the various administrative units that make up the economic unit, and these units are called (responsibility centers) .(Saleh, 2017).And he knows ( rugby, 2004 : 327) the responsibility center is an administrative or technical unit located in the economic unit and has a specific goal and uses the resources of the economic unit and its resources in order to achieve its goals and falls under the authority of a specific person. And define (Hilton et al., 2008: 758) a responsibility center is a subunit in an economic unit in which the manager is held accountable for the results of certain sub-activities. (Al-kawaz and Yusuf, 2011 : 403 ) also shows that the responsibility center is a subunit in the economic unit that is under the responsibility of a certain person and his accountability in light of the results of the activities of the subunit . Based on the above, under the concept of the liability accounting system, each manager, regardless of his level, is responsible for his center of responsibility and the center of responsibility is a part or subunit of the organization so that his manager can be held accountable for the set of activities specified in it . The higher the administrative level of a manager , the wider the scope of the responsibility center that he oversees and manages, therefore ,liability accounting is a system that measures plans by performance budgets with actual results, for each responsibility center, and the liability accounting system is also defined as that system according to which reports can be prepared on the performance of managers of responsibility centers, in order to achieve control over the work of these centers and their costs . When applying this system, it must be taken into account that the performance of managers of responsibility centers depends on approved criteria , including quantitative and qualitative criteria, and the liability accounting system focuses on quantitative criteria, i.e. measuring the financial performance of the manager, and the financial performance of the manager is measured by the effectiveness and efficiency in managing the special factors of his control and control . (Al-Rubaie , Abdul Muttalib, 2005 :49-50 )

## **2. 2 Types Of Responsibility Centers:**

The classification and characterization of responsibility centers is the core of the liability accounting system, and this usually varies from one economic unit to another and according to the extent of the manager's authority.

### **\* Cost Center :**

The sector that has the authority to control the occurrence of costs is called the cost center, and the distinctive characteristics of the cost center are that it does not have the authority to control the realization ( generation ) of revenues or the use of investment funds . and an example of a cost center in an industrial facility is an internal maintenance center or a security and guard center . (Allithy, 2005: 223).The cost center is defined as a sub-unit of the economic unit in which the unit supervisor is responsible only for the cost related to it (Al-Ghabban et al., 2016 :480). The cost center is defined as the sector that has the authority to control the occurrence of costs . (Gary Sohn and Noren, 2002 :614 ) cost centers are also defined as sectors of the economic unit in which the manager is responsible for the costs that are under his control only with no responsibility for revenues . (Hussein ,2000: 133) it is also defined that it is a Department of activity whose manager is mainly responsible for the costs incurred only and whose goal is to reduce the cost to a minimum, either revenues and invested capital do not fall within the scope of his responsibility. (Kahala and Hanan, 1997 : 418) the cost center is one of the most common and widespread types of responsibility centers in practical life due to the fact that many of the circles of activity in the economic unit can be counted as cost centers more than other types of responsibility centers, the reason for this is that the costs that can be accounted for and measured more easily than profits and benefits that are often difficult to measure objectively enough, so the realization



of some circles of activity in the economic unit profits does not give the right as a revenue Center to the difficulty of measuring and accounting for these profits and benefits . (Al Adam and Al Rizk, 2006 : 361)

**\* Revenue Center:**

The director of the center is primarily responsible for revenue generation, and in such a case, the center's report includes the revenue achieved by the center in comparison with the plan. The revenue Center is defined as that part of the organization where the manager is responsible for achieving economic unity ,and the revenue Center is usually manifested by a department that works on collecting revenues ,collecting cash, and assumes that the center works on controlling revenues only . (Al-Ghabban et al., 490:2016) as it is known, the revenue Center is a part of the economic unit whose manager is responsible for achieving targeted revenues only. (Houry and al-Omari,2013: 374)

**\* Profit Centers:**

Profit centers are defined as sectors of the economic unit, in which the manager is responsible for expenses and revenues , and then the profits achieved by these centers can be determined,for the purposes of performance evaluation(Hussein, 2000: 134). The Guardian believes that the center of profitability can be considered an independent economic unit with its own expenses and revenues, and the person responsible for it aims to maximize its profits, without causing damage or losses to any other center of responsibility, in a way that reflects negatively on maximizing the profits of the economic unit as a whole. (The Guardian, 2004: 419 ) the responsibility here is to control costs, revenues together and the profitability center may be responsible for selling its production outside the company .(The Guardian, 2004: 427) . The profitability center may be natural or virtual , as the natural profitability center means that center that sells its production or services to parties outside the economic unit , and then realize its revenues as if it were an independent economic unit on its own, but the virtual profitability center is that center that transfers its production or services mainly to other departments within the same economic unit, and the selling prices in this case are called the internal conversion price . (Hussein, 2000: 88 )

**\*Investment Center:**

The investment center is defined as a subsidiary unit, in which the manager is charged for the profits of the unit and the use of the invested capital to generate these profits ( Hilton, et al. al , 2008 : 503).As the investment center is known, it is any responsibility center within the economic unit, where the manager is responsible for costs and revenues, as well as investments that have been used to achieve a return. ( Garrison, et. al , 2008 : 542) in light of the above , it is noted that there is a clear sequence of administrative levels of responsibility centers, as these levels depend on the amount of authority that the center manager has .The investment center is the highest administrative level among other responsibility centers, because the manager of this center has more authority than the authorities of other centers, as the head is delegated the authority to control revenues and expenses ,and propose capital expenditure projects , followed by the profit center, which is the authority of the manager to control the revenues and expenses that occur in his center, which is at a higher level than the cost and revenue centers.

**2.3The Relationship Of Responsibility Accounting In Cost Reduction With Performance Evaluation And Management With goals:**

The goal of cost reduction is one of the most important strategic objectives of the company's management , as through cost reduction, it is possible to maintain the company's market position, and ensure its continued survival. The management adopts certain cost reduction strategies, each of which is appropriate to the nature of the production process in the company , the market situation in terms of competition and in a way that enhances the position of the company.(Al-Humairi, et al., 2017 : 167) believes (Al-Ghabban et al., 2016 : 508 ) that the liability accounting system plays a role in evaluating performance at all levels,through responsibility centers in order to monitor implementation and raise performance efficiency.According to ( Al-Naimat and Al-Sufi , 2011 : 321), the liability accounting system provides a basis for evaluating the performance of responsibility centers and informing senior management of what is going on at the lower levels of organization. although standards and planning budgets are only natural means of control, they may be perceived as means, to blame or catch mistakes when they occur, which may lead to undesirable behavioral effects , The behavioral effects of a particular liability accounting system can be reduced by obtaining acceptance by the responsibility



centers of the criteria used in measuring their performance . Perhaps the best means of obtaining such acceptance is management by goals and results.(Saleh , 2017) management defines goals as the participation of responsibility centers with senior management in determining the general goals of the economic unit, determining the scope of responsibility of each of the responsibility centers and in developing performance measures . These goals are characterized as the following: - (Naimat and Sufi, 2011 : 312)

\*It stems from the center of responsibility and is accepted by it.

\*Responsibility centers are obliged to implement them more than the goals set by the department without involving them in them. (Saleh, 2017)

Drury believes that "cost identification during the various stages of the product life cycle provides an appropriate way to understand and manage the overall cost that occurs during the product life cycle(Ceyhan, 2021 : 8 ) it also helps management to understand the relative importance of the cost spent to develop and manufacture the product and identify opportunities where cost reduction efforts are likely to be more effective". Believes(Drury, Blocher,2012 : 821 )that " the comprehensive cost approach is a good approach to assess and understand cost management in the activities that make up the value chain, starting from research and development to customer service,in order to identify and analyze the profitability of the product and using continuous improvement, in addition to understanding the interrelationships between the costs of the activities that make up the value chain and understanding the types of costs of the economic unit that will occur and trying to influence them ( Blocher, et al.,2008 : 393).

### **THIRD: APPLIED RESEARCH FRAMEWORK(METHOD AND PROCEDURES)**

**3.1 Curriculum of study :**He used the inductive method on the theoretical side and the analytical method on the Applied side ,The researcher was based on several means to obtain the required data and information, the most important of which are the annual financial reports issued by Al-Khazer .

**3. 2 Boundaries The study :** The spatial boundaries of the search were represented by the Khazer company , As for the time limits, data were used 2021 The company itself.

**3. 3 Identify and evaluate the performance of responsibility centers For the Khazer company for a year**  
Five responsibility centers can be identified in Al Khazer company, namely :-

- Al Kashi capsule and jelly Center
- Center for Block and concrete blocks
- Center for breaking mosaic stone and dust
- Halan lab Center
- Center For asphalt coatings

### **3. 4 Evaluating the performance of the profitability Center**

The evaluation of the performance of profitability centers based on the marginal contribution of Al-Khazer company is listed in Table No (1).



**Table number (1) Evaluating the performance of profitability centers based on the marginal contribution of alkazer**

| Statements                               | The center of profitability of KBS and GLi Al-Kashi | The center of profitability of the block and concrete blocks | The center of profitability for breaking mosaic stone and dust | Halan factory profitability Center | Profitability Center for asphalt coating |
|--|---|--|--|------------------------------------|--|
| Current income of the center             | 250110960   | 173104389  | 37292379   | 377407503                          | 235110940                                |
| Salaries and wages                       | 73918350  | 17911500   | 37617000   | 58455000                           | 55350000                                 |
| Commodity supplies                       | 4611750   | 885000   | 4572000  | 1915881                            | 5562013                                  |
| Service supplies                         | 13251750  | 1599000  | 16759500   | 188155552                          | 132838125                                |
| Extinctions                              | 360000  | 345000   | 450000   | 375000                             | 300000                                   |
| Taxes and fees                           | 352500  | 330000   | 300000   | 502500                             | 352500                                   |
| Total current expenses For the center    | 92494350  | 21070500   | 59698500   | 249403933                          | 194402638                                |
| Surplus (Deficit) perations first stage  | 157616610   | 152033889  | -22406121  | 128003569                          | 40708302                                 |
| Addendum : Conversion and other revenues | 18022000  | 12202000   | 2220200  | 19202200                           | 16380000                                 |
| Other transfer expenses                  | 18002200))  | (25342111)   | ( 20400101)  | (1500000)                          | (1450245)                                |
| Marginal contribution margin             | 157636410   | 138893778  | -40586022  | 145705769                          | 55638057                                 |
| Marginal contribution margin ratio       | 2.2635183   | 3.729684352  | 0.4655809  | 1.50419126                         | 1.200446666                              |

The previous table gives a clear picture of the center of responsibility and special profitability, as it indicates the performance results of each department of the company, what it has and what it has in performance and how to manage it Whereas the profitability center of Halan factory has been replaced with the highest revenues, with the total revenues achieved (377407503) JD with a marginal contribution margin of (1.50419126) Willy-nilly Center Profitability For asphalt coatings With a realized revenue capacity (235110940) JD with a marginal contribution margin of (1.200446666) The analysis of the profitability Center according to liability accounting and accounting of its revenues and costs will contribute to the management of this department and reduce its costs .The performance report can be included on revenues, expenses and performance levels of the company's profitability Centers for the sample study year .



**Schedule (2) A report on the revenues, expenses and performance levels of the profitability centers of Al-Khazer company**

| <b>Name of the profitability Center</b>                        | <b>Revenues</b> | <b>Expenses</b> | <b>Saving or deficit</b> | <b>Percentage of achieved financial performance</b> | <b>Required financial performance ratio</b> | <b>Deviation from the required financial performance ratio</b> |
|--|-----------------|-----------------|--------------------------|---|---|--|
| The center of profitability of KBS and GLi Al-Kashi            | 268132960       | 110496550       | 157636410                | 2.426   | 1.668                                       | 0.7580 Convenient  |
| The center of profitability of the block and concrete blocks   | 185306389       | 46412611        | 138893778                | 3.992   | 1.668                                       | 2.324 Convenient   |
| The center of profitability for breaking mosaic stone and dust | 39512579        | 80098601        | -40586022                | 0.493   | 1.668                                       | -1.175 Inappropriate   |
| Halan factory profitability Center                             | 396609703       | 250903933       | 145705770                | 1.580   | 1.668                                       | -0.088 Inappropriate   |
| Profitability Center for asphalt coating                       | 251490940       | 195852883       | 55638057                 | 1.2840  | 1.668                                       | -0.384 Inappropriate   |

The table above gives a lot of ideas about the performance report within the company where we see :-

1. The profitability center of KBS and GLi Al-Kashi has achieved a profit of and in the amount of (157636410) JD and the percentage of achieved performance (2.426) Which is a good percentage and the required performance ratio is estimated at (1.668) Where, when compared with the planned performance, it showed an appropriate deviation (0.7580) This is a good indicator of the good performance of the company and the company .

2. The profitability center of the concrete blocks and blocks laboratory achieved a profit of (138893778) JD and the percentage of achieved performance (3.992) Which is a good percentage and the required performance ratio is estimated at (1.668) Where, when compared with the planned



performance, it showed an appropriate deviation (2.324) This is a good indicator of the good performance of the company and the company .

3. The profitability Center for Mosaic and dust stone crushing made losses in the amount of (-40586022) JD and the percentage of achieved performance (0.493) It is a non-good percentage and the required performance ratio is estimated at (1.668) Where, when compared with the planned performance, it showed an inappropriate deviation (-1.175) This is a bad indicator of the good performance of the company and the company should realize this and improve it through the center official .

4. The profitability center of Halan factory has achieved a profit and by the amount of (145705770) JD and the percentage of achieved performance (1.580) It is a non-good percentage and the required performance ratio is estimated at (1.668) Where, when compared with the planned performance, it showed an inappropriate deviation (-0.088) This is a bad indicator of the good performance of the company and the company should realize this and improve it through the center official .

5. The profitability Center for asphalt coating has made a profit in the amount of (55638057) In terms of achieved performance (1.2840) It is a non-good percentage and the required performance ratio is estimated at (1.668) Where, when compared with the planned performance, it showed an inappropriate deviation (-0.384) This is a bad indicator of the good performance of the company and the company should realize this and improve it through the center official.

**3. 5 Evaluation of the Investment Center : The investment position is assessed by the rate of return on investment: Calculated according to the following table:**

**Table number (3) Evaluation of the investment position by the rate of return on investment**

| <b>Details</b>   | <b>Application</b>             | <b>Rate of return on investment</b> |
|--|--------------------------------|-------------------------------------|
| The rate of return on investment for KBS & gli Al Kashi Center = Net Profit of the center÷Total fixed assets of the center                 | $21925642 \div 261031987.2$    | 0.083                               |
| The rate of return on investment for KBS & gli Al Kashi Center = Net Profit of the center÷Total fixed assets of the center                 | $36127706.67 \div 430112236.4$ | 0.0839                              |
| The rate of return on investment for the Mosaic and dust stone crushing center = Net Profit of the center÷Total fixed assets of the center | $4509864.267 \div 53691418.15$ | 0.0838                              |
| Rate of return on investment for Halan Center = Net Profit of the center÷Total fixed assets of the center                                  | $4509864.267 \div 173465367.5$ | 0.0259                              |
| Rate of return on investment for asphalt coating Center = Net Profit of the center÷Total fixed assets of the center                        | $11628165 \div 138437130.7$    | 0.0839                              |



Through the above calculation process, it turns out that there is a significant increase and convergence in the rate of return on investment for Khazer company's centers, where the company achieved (0.083%, 0.0839%, 0.0838%, 0.0259% , 0.0839%) , For consecutive positions (Return on investment Center for KBS and Jeli Al Kashi, Return on investment Center for blockchain and concrete blocks, ROI Center for breaking mosaic stone and dust, ROI Center for two solutions, ROI Center for asphalt coatings) Since these ratios were positive This indicates the increase in the company's financial position and the improvement of the center management process, and this cycle supports the process of Control, Control and planning of the center in a good way, and in order to continue the process of improving performance towards the best, it needs to enhance careful planning of financial performance .

**3. 6 Evaluation Of The Performance Of Cost Centers:**

The results of the evaluation of the performance of cost centers of alkhazer company can be shown according to the following table :

**Table number (4) Evaluation of the performance of cost centers The company named the study**

| Details  | Cost Center for compressing and boiling Kashi | The cost center of the block and concrete blocks laboratory | Cost Center for breaking mosaic stone and dust | Cost center of Halan factory | Cost Center for asphalt coating |
|--|---|---|--|------------------------------|---------------------------------|
| Salaries and wages                                       | 73918350                                      | 17911500  | 37617000                                       | 58455000                     | 55350000                        |
| Commodity supplies                                       | 4611750                                       | 885000  | 4572000  | 1915881                      | 5562013                         |
| Extinctions  | 360000  | 345000  | 450000   | 375000                       | 300000                          |
| Taxes and fees   | 352500  | 330000  | 300000   | 502500                       | 352500                          |
| Total direct costs                                       | 79242600                                      | 19471500  | 42939000                                       | 2793381                      | 6214513                         |
| Service supplies   | 13251750                                      | 1599000   | 16759500                                       | 188155552.5                  | 132838125                       |
| Total indirect costs                                     | 13251750                                      | 1599000   | 16759500                                       | 188155552.5                  | 132838125                       |
| Total costs (Direct and indirect responsibility centers) | 184988700                                     | 42141000  | 119397000                                      | 440352867                    | 333455277                       |
| The ratio of cost centers per Center                     | 0.165119                                      | 0.037614647   | 0.106573                                       | 0.393054692                  | 0.297639                        |

The table indicates that each department of the company is assigned its own responsibility Center, This gives the impression of the responsibility of , Planning for the best , In order to manage the related cost , To contribute to the reduction of what is of benefit to the company , Where the results indicate , Until the highest



cost was achieved in Halan lab ,Where it ranged by (0.393054692) The lowest cost for the block and concrete blocks laboratory ,We note that there is a reduction of costs in some centers ,This indicates that the company is aware of the risks involved ,And it works to rationalize costs for the better ,To allow to maintain the competitive position based on performance,It is the responsibility of each manager to improve the performance level of the center ,These costs can be controlled and reduced through the responsible center manager .

Through our analyses , it becomes clear to us that the management of each department by an official of its own department gives the impression of more responsibility , and therefore liability accounting contributes to dividing the company's performance centers into responsibility centers , so that the responsibility of each department is assigned by an independent person ,and his responsibility is to manage this department , as the responsibility of the head of the responsibility center , cost reduction that does not affect the customer's wishes and product quality , and here we prove the hypothesis of the study based on our analyses .Which states Our hypothesis "that the use of cost on the basis of responsibility accounting centers increases the effectiveness of planning, control, performance evaluation and cost reduction ."

## **CONCIUSIONS AND RECOMMENDATIONS**

### **1. CONCIUSIONS**

- The evaluation of performance according to the responsibility centers represents the line of Defense for the company's survival in the market and increases the competitiveness of its products by linking each responsibility center with a specialized manager.
- The profitability center of KBS and GLi Al Kashi achieved a profit of (157636410) dinars with a achieved performance ratio of (2.426), which is a good percentage, and with a required performance ratio estimated at (1.668), where when compared with the planned performance, it showed an appropriate deviation of (0.7580), which is a good indicator of the good performance of the company and the company .
- The profitability Center for Mosaic and dust stone crushing achieved losses in the amount of (-40586022) dinars and with a achieved performance ratio of (0.493), which is not a good percentage, and with a required performance ratio estimated at (1.668), where when compared with the planned performance, it showed an inappropriate deviation of (-1.175), which is a bad indicator of the good performance of the company and the company should realize this and improve it through the center official .
- The results indicate that the highest cost was achieved in the Halan laboratory, where it ranged by (0.393054692) and the lowest cost for the block and concrete blocks laboratory, and we note that there is a reduction in costs in some centers, and this indicates that the company is aware of the risks assigned to it, and is working to rationalize costs for the better, in order to allow maintaining a competitive position based on performance, as the responsibility of each two managers improves the performance level of the center , and these costs can be controlled and reduced through the responsible center manager.

### **2. RECOMMENDATIONS**

- It is necessary to divide the company's performance into more responsibility centers, link each responsibility center with its own manager and assume all responsibility for improving performance, reducing costs and in a way that does not contradict the quality of the product and the customer's desire, in order to allow maintaining a competitive position based on performance.
- The need to involve employees in the preparation of the planning budget and performance standards , which enhances the confidence and satisfaction of individuals with those standards and their interaction with them ,and leads to the achievement of the company's overall goals.
- It is necessary to rely in the preparation of planning budgets on the scientific bases and principles on which it is based, which achieves the goal of those budgets and contributes to the application of the method of liability accounting well .
- It is necessary to contribute to the development of accounting systems ,and accounting information to measure actual performance efficiently , in order to track and Link costs at the individual level.
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### **CONCIUSION OF STUDY:**

The importance of the study is based on the importance of preparing planning budgets , performance reports at the level of responsibility Centers ,for Al Khazer company and reaching an analysis of the reasons for the change and their interpretation in the overall performance of the company ,linking them to the responsibility centers, and statement of evaluation of each department of the company separately and accounting for its costs , and the level of profitability according to liability accounting , reaching an independent assessment of its efficiency and effectiveness, evaluating its performance, and trying to discover the impact of the performance of each department or activity on the performance of other departments or activities in the company , Then the statement of the total value of the overall performance under the conditions of this interlacing and overlapping of activities within the company .The study aims to demonstrate the relationship of liability accounting in cost reduction with performance evaluation, and the use of cost on the basis of liability accounting Centers , for the effectiveness of planning and control ,performance evaluation and cost reduction in the Iraqi Khazer company, and work on the types of responsibility centers in it . The researcher used the method of analysis, and the sample of the study was represented by Al-Khazer company, an industrial company, interested in the trade of building materials, real estate investments and general contracting, one of the formations of the Iraqi Ministry of industry and minerals, with time limits set for the year 2021, where the problem of the study was posed by the following question: "How is accounting based on And what is its role in reducing costs " after delving into the details of the theoretical and practical study of it, the researcher concluded that evaluating performance according to the Centers of responsibility, represents the line of Defense for the company's survival in the market, and raises the competitiveness of its products , by linking each center of responsibility with a specialist manager, the results indicate , We note that there is a reduction in costs in some centers ,and this indicates that the company is aware of the risks assigned to it , and is working to rationalize costs for the better , and the researcher recommends that the company's performance should be divided into more responsibility centers ,linking each responsibility center with its own manager , and shouldering all responsibility towards improving performance and reducing competitive position based on performance.

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