Accounting systemen en hun context
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Summary

**Accounting systems and their context; an exploratory study in four manufacturing companies.**

For meeting their objectives organisations need information about their environment and the internal functioning of the organisation itself. One of the information systems organisations have is the management accounting system which supplies managers with information about the organisation's costs and profits for taking decisions about the organisation's future activities (decision-making) and for controlling the financial consequences of these decisions (control). Management accounting systems are influenced by their organisational context (the characteristics of the organisations within which they operate and the environment of these organisations). Our research is aimed at examining the way in which the organisational context influences the characteristics of management accounting systems and the way in which these are used for decision-making (determining selling prices and investment decisions) and control.

In Chapter 1 we describe which role management accounting systems play in organisations and why these systems are the most important (quantitative) information system in many organisations. Furthermore, we describe why management accounting systems will be affected by the context within which they operate and what the aim of our research is.

In Chapter 2 we discuss what is known about the influence of context on management accounting systems and what a number of well-known accounting handbooks say about this. We found that the handbooks say little about the influence of the context and that empirical research has mostly produced contradictory and fragmentary results. An exception to this is the research into the influence of the size of organisations on the characteristics of management accounting systems, which shows that larger organisations have more advanced accounting control systems, make more use of output control and more often apply discounted cash flow methods when making decisions about investments.

In Chapter 3 we discuss in more detail the methodological aspects of our research. We state that as long as little is known about the way in which the functioning of management accounting systems is affected by the context exploratory research is desirable, and we describe why case study research is very suitable for exploratory research into the relationship between context and management accounting systems. Furthermore, we discuss why we chose to study four medium-sized production
companies (construction company Aalbers, shipyard Nauta, paintfactory Baan and concrete products company Steenbergen), how these companies were selected and how the research has been carried out.

In Chapter 4 to Chapter 7 we give a detailed description of the four companies we have studied and the way in which they use their management accounting systems for determining selling prices, investment decisions and control purposes. Construction company Aalbers is a construction company with 250 employees which builds houses and industrial buildings and carries out maintenance work, renovations and alterations. Shipyard Nauta is a shipbuilding company with over 100 employees which builds sea-going vessels with a maximum length of about 120 meters. Paintfactory Baan also has over 100 employees and produces and sells paints to the building industry and do-it-yourselfers. Finally, concrete products company Steenbergen has over 140 employees and produces and sells concrete products and concrete mortar to contractors and government institutions.

In Chapter 8 we further discuss the way in which the companies we have studied control their turnover, costs and results and which reasons they mention for this. We found that there are major differences between the companies producing on the basis of buyer’s specifications (construction company Aalbers and shipyard Nauta) and the companies producing for the market (paintfactory Baan and concrete products company Steenbergen). Construction company Aalbers and shipyard Nauta control the efficiency of production per project on the basis of the project calculation and only use the budget for controlling the fixed operating costs (and the rates based on these). Paintfactory Baan and concrete products company Steenbergen control the efficiency of production per period and also use the budget for controlling turnover and results. Within both categories of companies there also turn out to be major differences in the area of controlling turnover, costs and results. At construction company Aalbers, for example, the project costs are controlled in great detail by the works foremen, whereas at shipyard Nauta the project costs are controlled much more globally by the general manager. Concrete products company Steenbergen controls the efficiency of production mainly by controlling the production volume, whereas paintfactory Baan does this by controlling the realised production on the basis of production planning. It appears that a large number of contextual factors, such as the characteristics of the projects carried out, the production technology applied, the organisational structure, the organisational strategy and the organisational culture, are responsible for these differences in controlling turnover, costs and results.

In Chapter 9 we examine in further detail the way in which the companies we have studied
determine their selling prices and which role accounting information plays in this. One of the things which become clear is that construction company Aalbers and shipyard Nauta base their quotation prices on the project calculation, whereas paint factory Baan and concrete products company Steenbergen base their selling and quotation prices on the prices of their competitors or on market prices. It also turns out that the companies that have been studied often fix minimum prices which are based on the full or variable cost of products. The way in which the selling prices are determined and the role of accounting information in this is again influenced by a large number of contextual factors, such as the characteristics of the branch of industry, the nature of the products, etc.

In Chapter 10 we pay further attention to the way in which the companies we have studied make investment decisions and the reasons they mention for this. The way in which investment decisions are made and the role of accounting information in this turns out to differ strongly from what is described in accounting handbooks and to depend mainly on the kind of investment. In addition, it appears that investment decisions are often discussed in advance with the management (giving the final decisions a largely formal character) and that the reputation of the person presenting the proposals for investment plays an important role.

In Chapter 11 we discuss the reasons for the limited results of the empirical research into the relationship between context and management accounting systems. In this chapter we also formulate a number of hypotheses on the influence of the context on the characteristics of management accounting systems and the way in which they are used for determining selling prices, investment decisions and control purposes.

Finally, in Chapter 12 we give the most important conclusions of our research. From our research into the companies becomes clear that the context has a large influence on the functioning of accounting systems and that this influence is very complex, which is partly caused by the fact that the various elements of the context do not only affect the desired characteristics of these systems, but also affect the realisation possibilities. Furthermore, in Chapter 12 we discuss the most important limitations of our research and we make some recommendations for research, education and practice.