

PREPARING THE IMPLEMENTATION OF THE ABC SYSTEM IN THE TOURISM UNITS

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Abstract: Most experts agree that the implementation of ABC goes beyond analysis to identify activities and cost drivers. For implementation to be successful requires a huge amount of data, and the organization must understand the rigors of implementing ABC. Valuable contribution they provide ABC method may vary if we take into account three factors: volume, use of resources and competitive pressure. Organizations must determine when it is beneficial to implement ABC method and which is its influence on the entire value chain.

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1. INTRODUCTION

The main problems encountered in the implementation of the cost model activities are technical and relate to defining activities, choosing cost drivers and cost imputation of activities. Decision to introduce this method in a tourism unit is a strategic decision that is the manager. Appropriateness of such a decision is appreciated by a thorough analysis of the characteristics of tourism unit and context in which it operates.

2. DISCUSSION

Managers choose the level of detail to be used in a system of accounting and costing system evaluating the estimated costs and comparing them with the expected benefits that will result from its use to make better-informed decisions. Even when a company decides irrevocably to implement an ABC system, managers must make important decisions regarding the level of detail to be applied. The fundamental question is whether you should choose the number of activities, determinants of cost and cost lots of detail specified or only a few would suffice. To make such a choice, managers have to analyze the costs and limits of record and perfect the system of costing. ABC systems require managers to estimate costs lots of activities, and to identify and measure the determinants of costs for these groups, which will serve as a cost-sharing basis, since the most basic ABC systems require many calculations to determine cost of products and services¹.

¹ Horngreen C., Srikant D., Foster G., Contabilitatea costurilor – o abordare managerială, Ediția a XI-a, Ed. Arc, București, 2006, p. 171;

Most experts agree that the implementation of ABC goes beyond analysis to identify activities and cost drivers. For the implementation to be successful requires a huge amount of data, an organization must understand the rigors of implementing ABC. Valuable contribution they provide ABC method may vary if we take into account three factors: volume, use of resources and competitive pressure. Organizations must determine when it is beneficial to implement ABC method, which is its influence on the entire value chain.

Implementing ABC generally requires completion of three phases: planning, implementation and monitoring. The implementation can be further extended for the same purpose and achieve a higher level of actual results satisfactory. It is very important to use a team of implementation and protocol. To make effective changes are critical issues: management commitment, dedicated staff, preparation and establishing responsibilities.

Preparation to implement the activities based costing method (ABC) at the level of tourism can be achieved taking into account the particular, specific tourism activity and information needs of these units, and to this end we propose the following steps (figure no. 1) :

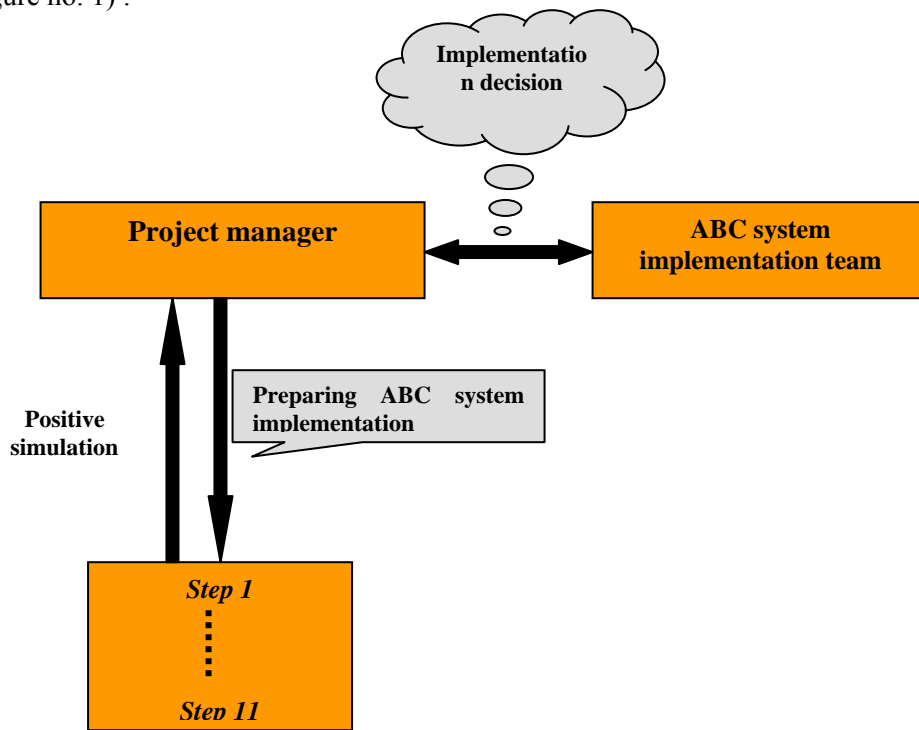


Figure no. 1. Preparing the implementation of ABC method in the tourism units

1. Identifying ABC implementation targets in the tourism unit. Among its goals include: obtaining accurate information on indirect costs, flexibility, competitiveness and extend market segments, etc..

- In this early stage must be taken in consideration a few key factors such as:
- a) The evolution of the economic environment. Here we have the following:
 - studying the evolution of the economic consequences of its organization;

- detailed reorganization of business objectives and demonstrate how these objectives are at stake determining performance.

- b) Defining modes of organization possible. Here we have the following:

- detailing various aspects of defining ways of organizing unit (hierarchical, matrix, cross, etc.).

- bringing to the fore the dynamic appearance and appreciation of the organization of the responsible unit.

- c) Establishment of operational service, called "performance". Among its objectives can remember:

- defining the basic elements that make up performance;

- detailing links between the organization and performance of the tourism unit;

- demonstrate the need for the cross visions of the unit to meet the expectations of tourists;

- demonstrate how cross organizational performance as a significant challenge.

2. The timing of specific ABC system works management accounting and cost calculation. This step is particularly important in view of the specific seasonal nature of tourism. In this respect, based on graphs, judiciously prepared can mean for each stage in the application of the method to optimize implementing ABC and in terms of timing of application.

3. Cross travel organization units. Based on the similarities and the differences found between current organizational method (hierarchical-functional) and cross method specifies ABC occurred and made the latter organization. ABC method stimulates the drive to become more competitive and responsive to the demands of tourists, strategic segments obtained by it or to which the desired orientation of future actions, anticipating the decisions to be taken in this regard. Cut crosswise follows a logic of cooperation to describe the purpose and object actions are determined internally for the organization. Architecture describes the organization transversal policy actions are most important to establish processes, activities and operations. Here we describe the actions of operational and detailed manner, while regrouping operations activities and processes as a logical outcome of the tourist. Cross organization identifies outcome of each activity or operation, and thus can evaluate the interest they present every tourist activity. Cross organization defines, through notions of frequency and capacity when actions become feasible. Ensure that tourism unit is able to produce what was determined strategic plan, taking into account the available resources (people, machines, software, and so on).

4. Identifying human and material resources needed to implement ABC. The design and implementation of an ABC system involves the use of appropriate resources. Agreement include the time and resources required accounting, management, operational workers.

In a study by Shields and McEwen was important to show that possession of adequate staff resources, which led to the successful implementation of ABC system. According to studies by the same authors mentioned above reveals that the choice of software as information system are important only for professionals (accountants and company management). For other category of employees, outside consultants and that the existence of the software, not the great importance and especially the guarantee successful implementation of ABC system. Based on previous factor in studies of both authors, Shields and McEwen, shows the importance of the link between compensation, performance evaluation and implementation of ABC. This is done by itself whereas

employees pay more attention to those things that ensure their welfare. This prosperity is influenced just the system used in evaluating and compensating employees. If employees are convinced that they are successful ABC system interests in performance evaluation, they are the ones who are motivated for this system to be successfully implemented.

Given that ABC method requires a huge amount of data entry and processing, their processing is required using advanced software, running on platforms equipped with modern computers.

5. Staff training and cooperation with management structure. Preparation or training helps staff to understand what the different activities costing system (ABC) cost of other traditional systems. Also, staff training encourages knowledge sharing while offering, and a superior economic measurement information. How to make staff training should be both vertical and horizontal management system, from manager to direct productive employee. This training can be done through: reading, speaking, explanatory projects or on-site training, carried out by specialists.

Studies have shown that managerial support is the primary factor in the successful implementation of an accounting system and especially the activities based costing system (ABC). Only employees may be made by the successful implementation of ABC system, they represent the pyramid organization. In other words, any innovation to be crowned achievements should be based on a very solid managerial support. Management should focus its efforts to establish both the required resources, both goals, and formulating effective strategies to implement ABC system. Management should encourage the use of information provided by the ABC system, especially in communication made by its employees.

Regarding the sharing of knowledge, the literature refers to the operation of the ABC system which is known only by accountants depth (accounting department), in this case there is imminent danger of being used only in their own interests.

All employees should be involved in the initial decision to invest in the ABC method in the design and implementation. In this way the chances of promotion and bearing the ABC system by non-accountants will increase significantly and be successful.

6. Cut the tourism activities of the unit. "Cut" drive tourism activities and analysis of these activities from the point of resource consumption and value creation offers new possibilities for analysis. Character of "unproductive" assigned an activity that has no direct relationship with the end product, is still present in assessing the activities of an enterprise. For this reason and accounting activities still ignores called "support", but which are essential for the effectiveness of core business and even creating value, so drivers of performance.

Current methods of costing list, in terms of resource consumption, these activities are not directly related to operating activities in a separate heading of "overheads". It is necessary to "ventilate" the headings in elementary activities and determine, for each one, a unit of resource consumption.

ABC procedure involves the following steps to identify activities in the tourism unit:

a) Construction activities nomenclatures. An activity is a set of tasks assigned to individuals and related specific purpose. Classifications of activities is done as follows:

- first, identify activities for each function.

- secondly, assess each activity to determine if they add value to the product or service.

- thirdly, considering all the activities are not creating value, to determine whether it is necessary ancillary areas, if necessary, their costs should be reviewed and reduced where possible, if not necessary, these activities are eliminated. This phase of work analysis brings most information and is applicable to all tourism activities in the unit.

b) Each task is assigned resources they consume;

c) Election stimulators costs, simplify, regrouping centers have the same stimulating activities;

d) Establish cost carriers nomenclatures and unit cost calculation;

e) Reporting.

Work to identify the set of activities performed in an organization generally leads to highlighting 200 to 300 different activities defined by a set of features. Establishment of 200 to 300 centers to aggregate indirect costs accounting can lead to a very lengthy accounting information and, therefore, it is necessary to aggregate the operation of any number of activities in macro-activities. Management must make a trade-off between simplicity of the model representation of the organization's accounting (small number of activities and cost drivers) and accuracy of accounting information provided (detailed assembly activities and cost drivers).

If regrouping is necessary activities should be carried out in relation to causal factors (cost inductors) so that risks distorting the cost calculation cost carriers are minimal².

7. Placing responsibilities and resources on activities and costs. After trimming performed transverse to place the staff in this new type of organization, because it is "resources" behind every action. Of course, all employees will be positioned in the vertical plane usual (depending on hierarchical lines), but above all, to take account of their role within each activity. Before proceeding to placing responsibility on individuals, we must know what are the actors (employees) that are the underpinning of their qualification.

The main elements by which we identify and qualify employees are:

- amount - indicates the number of employees involved in each activity;

- name - the employee is identified by its name;

- function - the purpose of qualification of the employee in accordance with its competence and responsibility;

- the performance - employee is assigned technical competence and managerial competence.

It is very important to identify resources so employees on the operations and activities, allowing us to know what resources are consumed by activities within processes.

Resource allocation is made in two forms: quantity and value. From the quantitative point of view, resources are allocated to processes, the activities, the categories of employees.

² Iacob C., Ionescu I., Goagăra D. - *Contabilitate de gestiune conformă cu practica internațională*, Ed. Universitaria, Craiova, 2007, p. 209;

Once you are established and allocated these resources go to resource allocation in terms of value. Allocated costs at the process and hence the level of activities and operations (the employees and orders, works, services).

8. Adapting the management accounts to specific tourism activity. The existence of this system of accounts ensures successful implementation of ABC, as it ensures the implementation of the principle space delimitation expenditure (processes and activities) and comply verifying information obtained by highlighting Costs for all types of organizational structures and their proper allocation using inducers costs.

9. Establishing cost drivers. At the level of tourism they measure the benefits provided by activities, products and services.

After having taken into account the criteria behind the choice and determination of cost drivers pass the effective enforcement of indirect costs to determine rates eventually spending on goods and services. By collecting actual core business values are determined in accordance with the allocations set in the hierarchy of activities, thus taking the actual quantities and actual costs of support activities. Using appropriate cost drivers surely lead to a better allocation of indirect costs and to obtain special information accuracy.

10. Identify the indirect costs associated with each allocation base. Actual share of indirect costs allocated refers to that part of the indirect costs allocated.

Choice of allocation base is subject to the following conditions:

a) the allocation of predetermined calculus phase should not change the phase order and not to distort the cost reporting period or month to month in the year;

b) the allocation should be common in nature (using the same cost drivers), but differ in size (the basis of allotment is given on the size of the value drivers of costs);

c) between activities expenses to be allocated and the allocation should be a direct relationship of interdependence so using it to create the possibility of obtaining factual information in terms of selection criteria for assignment and interpretation of results obtained after comparing costs incurred at work;

d) the allocation chosen must be recommended by the ABC project team assumes full responsibility for the search criteria and results obtained from their use by the management unit.

11. Simulation on implementation of ABC in the tourism unit. On this occasion it has tested the impact each initiative or project cost accounting action saved as a consequence of or avoid their application, the revenues generated from the correct application of the principles of activity-based management. Depending on the stage shall make certain changes. These changes may be of a different nature: the design of products and services, cost planning, changing attitudes of employees, team collaboration through changes of views and opinions regarding the proper conduct of business, restructuring hierarchical behavior change suppliers and customers. For the effects resulting from simulation to decide how, when and if ABC method is suitable to apply to the establishment.

3. CONCLUSIONS

Introducing ABC approach attracts addition of extra information system of the organization while supporting and respecting the existing one. Primary motivation in adopting ABC in a tourism unit is to identify and achieve improved profitability tourists cost information. Approach in terms of cost enables the unit to quickly understand the cost of specific activities and resource consumption factors.

Organization and implementation of ABC at the level of tourism requires significant effort. It is a costing system absolutely necessary, a new way of thinking about costs. Once a tourism unit management decides to implement ABC method, you must determine the level of detail of information they wish to collect and make available to management, knowing the fact that a more precise information is much more expensive.

An ABC analysis requires detailed modeling process observation unit business. Be accurately described processes, activities and resources involved in the system analyzed.

ABC systems will probably generate the greatest benefits when indirect costs are a significant proportion of the total cost or when the products and services used inconsistently indirect resources unit.

Another reason for using the ABC method instead of traditional methods of calculation is the need to obtain a relevant cost. Accuracy with which full cost accounting can be analyzed by activity depends on the level of refinement of the model, of its complexity.

The causality established between activity, inducing cost and resource consumption can be accounted and controlled in quality and non-quality costs. In addition, cost management should no longer descend to the level of product or service, but act on the cost drivers. However this method is not content to just allow full cost calculation, it can be seen as a means to manage performance of the tourism unit as a whole.

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