

Unit 5 discussion board



**ASSIGN
BUSTER**

Examining the various forms of responsibility centers For recognizing and examining the common forms of responsibility centers we have to understand first what is actually meant by the term ‘ responsibility center’. Responsibility center is an organization unit for which a manager is made responsible where the centers manager and supervisor establish specific and measurable goals for the responsibility center in such a way that the goals should promote the long-term interest of the organization. (Bend, 231)

Responsibility centers are classified into four types: Cost centers, Revenue centers, Profit centers and Investment centers. Here the cost center is a responsibility center whose employees control costs but do not control its revenues or investment level. On the other hand a revenue center is a responsibility center whose members control revenues but do not control the cost of the product or service they sell or the level of investment in the responsibility center. Thirdly there is a profit center which is a responsibility center whose manager and other employees control both the revenues and the costs of the product or service they sell or deliver. Lastly, we come up to the investment center that is a responsibility center whose manager and other employees control the revenues, costs, and the level of investment in the responsibility center.

If we take into account the policies incorporated by Howard Works Ltd the scene could be easily clarified. In Howard Works Ltd the four aspects of Responsibility Centers are dealt in the most efficient manner. Cost centers, Revenue centers, Profit centers and Investment centers are in able hand and they are evaluated in every possible way. In Howard Works Ltd Responsibility Centers are evaluated in regular interval by the dint of underlying the accounting classifications of responsibility centers is the concept of

controllability. Moreover, the controllability principle asserts that people should only be held accountable for results that they can control. Though it should be remembered that, according to Rick Dobson, the CEO of Howard Works Ltd, “ it is often difficult to apply the controllability principle”. (Hobbs, 84) Rick Dobson also pointed out some problems associated with controllability; according to him the problem stays with jointly earned revenues and/or jointly incurred costs. He also pointed out the problem regarding intricate, and often arbitrary, accounting procedures. But with management principals applied in a more perfect manner and with more vigor it is expected that these problems would gradually fade out.

To apply Responsibility Center Management in a more perfect manner it should be looked upon that the best operating decisions are made closest to point of implementation. Alongside, degree of decentralization positively related to the size and complexity of the organization should be balanced and identified. Moreover, authority should be commensurate with responsibility, and vice versa. This is because correct decisions are more likely in an information-rich environment. Responsibility and authority require clear rewards and sanctions at the same time because good planning and performance are facilitated by stable environments. The relationship of the parts to the whole should be reflected in the assignment of responsibility and the legitimacy of institutional and local responsibility has to be recognized. And lastly the existence of a mutually supportive academic and administrative plan is to be assumed well enough and beforehand.

References:

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Hobbs, D. 2005. The latest in incorporation. Industry Asia, Vol-2, Issue-14