

Strategic management accounting essay example

[Business](#), [Company](#)



Introduction

When it comes to organizations, then there are two important things which are more than essential for them, which particularly are cost and revenues and both of these provisions are quite important for the sake of an organization. Organization basically refers to a place wherein people belong to different demographics and mindset work together merely for the achievement of a single and pre-specified goal in particular

There are certain things which are more than essential for a company to manage their operations and financial structure. Among these provisions, the name of costing is one of them, which has its own significance and importance lies in a broad nutshell (Bowhill, 2008, pp. 14-17). In order to effectively manage the things, organizations have to decrease the cost accordingly because it has a direct linkage with the financial positions of the company. There are certain indicators which are essential for the sake of an organization and the essence of the strategic management accounting indicators is essential for an entity in particular. The main perspective of this assignment is to analyze the effectiveness of these tools in particular. The tools which have been taken into consideration are Activity Based Costing (ABC), Key performance Indicators (KPI), Customer Relationship Management (CRM) and Just in Time (JIT) process in particular. All of these four indicators would have been defined in the next section along with its proportion to the economic prosperity and expansion of the companies in particular. Let's now move towards the analytical review section.

Analytical Review

Organizations always made to earn economic profit and expansion and in order to accomplish the same thing in particular; there are four different tools which have been taken into account for the same. All of the Strategic Management Accounting (SMA) tools are essential for the sake of an organization (Chapman, 2005, pp. 21-24).

Activity Based Costing (ABC) and it's Effectiveness of A Company

Activity based costing is referred as the methodology used in costing accounting whose function is to make out all the activities performed within the organization and then allocating a sufficient number of funds to each activity. In addition, the proper resources also assigned to all products and services with the actual consumption of each unit accordingly. In this model, the allocation of overhead costs is more embraced into direct cost of product relative to traditional costing approach (Drury, 2008, pp. 39-42). The ABC framework generally shows the correlation between cost, activities as well as product or services. Thus, by having this correlation, the indirect costs are not arbitrarily assigned to the product than the traditional methods.

According to CIMA, activity based costing is a method to track where the costing of resource consumption and costs involved in the final output, and monitoring activities. Allocation of resources to the job, as well as the estimated cost of the activities on the basis of consumer objects. The cost of additional activities harmonizes operational cost into production in due course. This model is greatly useful for the companies to identify the indirect cost of activity for each product in an effective manner. Moreover, the usage

of ABC directly influences on a company's decision through catch out and eradicate such products that are not beneficial for the company in terms of profit and lesser in prices when those are overpriced. The growth of activity based costing has been marvelous since last decade due to fact that the indirect cost of production has been rising considerably and the diversity recorded in both customer demand and product have grown significantly. The essence of costing is one of the most important aspects from the standpoint of an organization and organizations would use different costing techniques to become economically prosperous and active at the same time. Among a number of costing techniques, the name of Activity Based Costing (ABC) is one of them. The major benefit of this particular kind of cost is that it decreases the operational cost of a company in particular and impact positively over the financial position or bottom line of a company (Gediehn, 2010, pp. 61-65). With the help of ABC, my company becomes able to incur the cost according to the specific activities, which certainly help them out to incur the cost according to the situation and according to the activity, which is one of the major aspects in terms of minimizing the operational cost of an activity and resultantly increases the economic prosperity of a company. This particular aspect could be extremely effective for an organization to enhance their productivity and strengthen their operations with a positive node.

Key Performance Indicators (KPI) and its Effectiveness of A Company

The Key performance indicator is usually denoted by KPI which is used to evaluate performance measurement. This indicator is widely exploited by

many of the companies in order to appraise the firm's achievements in particular. Moreover, it is also taken into consideration to evaluate the progress of specific activity in which the company is engaged. The effective usage of Key Performance indicator enables the organization setting benchmark to gauge the performance of various departments with. The criteria of KPI may vary from company to company and industry to industry, as every company has its own priorities and norms that they are adhering to undertake KPI measures (Heidmann, 2008, pp. 44-47). At the initial stages, the organization is supposed to ascertain their tactical and operational targets, and then apply the KPI for further stir one step ahead and achieve defined milestones in well-organized manner. The standards through which the company implies KPI is often stated in the annual report. The Key performance indicator is usually employed for long-standing reflection. The criterion of KPI can be changed with the milestones of the organization or in other words, it would be closer in meeting the objectives, it is beneficial for the organization to establish the defined standard of KPIs and keep considering the similar definition from long span of time.

Organizations can increase their financial belongings with two different ways like to compare their current performance with the past performance of the company or by comparing their performance with any of the peer companies. Among numerous tools from which this particular activity could be approached is the Key Performance Indicator (KPI). A KPI are sort of standards and benchmarks which set by an organization after critical analysis of the industry and by applying the PURE PLAY METHOD (PPM). Setting and placing the performance according to the KPI would certainly

help out an organization to bring effectiveness in their operations and earnings (Hoque, 2006, pp. 29-33). It assists an organization to complete the work and tasks according to the given indicators and enhance the going concerns on the basis of these decisions in particular. My organization is also utilizing the same strategy to become economically active and strategically active and prosper.

Customer Relationship Management (CRM) and its Effectiveness of A Company

CRM is a contraction used for “ customer relationship management”. It involves each and every one feature of communication that a corporation has with its consumer, whether it is sales or connected to services. Despite of the fact, that the term customer relationship management is most frequently used to demonstrate a relationship with the customer. The customer relation management systems are used in the similar manner to administer business contacts, consumers, agreement wins and sales leads. Among the expansion of the internet and linked technologies, clients have some concerns regarding the privacy and security of their private records. For that cause, businesses want to make sure that the storage and examination of the consumer information must have the uppermost levels of shield in opposition to cyber criminals, individual stealing and further violation of securities (Ward, 2012, pp. 43-49). CRM is over and over again consideration of as a big business tactic that enables the companies to:

- Be aware of the consumer.
- Maintain clients through improved customer understanding.
- Catch the attention of fresh buyer.

- Be successful in getting latest consumers and agreements.
- Enlarge beneficially.
- Reduce consumer administration expenditures.

Customers are the end users of an organization and no organization can increase their financial belongings without maintaining effectiveness for their customers. Customers are the one who would consume the products of a company at the final stage and become an integral part of the productivity of an organization. Among number of software and tools, the name of Customer Relationship Management (CRM) is one of them, which has its own significance and importance. The effectiveness of the CRM is extremely important and vital for an organization as it explained the effectiveness of customer and their retention for the sake of an organizational productivity. With the help of this particular approach, organizations become able to retain their customers for a long span of time, which also makes them able to enhance the productivity of the customers accordingly and effectively (Ward, 2012, pp. 9-15).

Just in Time (JIT) process and its Effectiveness of A Company

Just in time system is widely used by many of the manufacturing firms to achieve efficiency in production process and create flexibility through redefining the conventional ways of production process. The trend of using this system is typically employed in automotive and assembly industries. The entire framework assists the company in many occasions as it mitigates the cost and risk concerns integrated with the inventory. Moreover, it also caters from any loss, damage, theft or any mishap with the inventory

(Wickramasinghe and Alawattage, 2012, pp. 19-25). All the accounting system and procedures that have a linked with Just in time (JIT) system are identical from all aspects. In short, this is the best way to direct the physical stream of inventory.

JIT process is yet another important concept and tool from the standpoint of Strategic Management Accounting used for different purposes. The effectiveness of this particular tool is manifold as it will not only decreases the financial and direct cost of the company, but it also increases the financial belongings of a company in particular. With the help of effective management of the JIT process, entities may become able to incur the cost at the time of core requirement (Wickramasinghe and Alawattage, 2012, pp. 33-37). The essence of wear and tear is quite low due to this process along with management of inventory would also become effective as well. Inventory would become lesser with the help of this particular approach and organizations have to use the same.

Conclusion

Reference List

- Bowhill, B. 2008. Business planning and control. Chichester, England: Wiley.
- Chapman, C. S. 2005. Controlling strategy. Oxford: Oxford University Press.
- Drury, C. 2008. Management and cost accounting. London: South-Western.
- Gediehn, O. 2010. Management accounting practice and strategic behavior. Wiesbaden: Gabler.
- Heidmann, M. 2008. The role of management accounting systems in strategic sensemaking. Wiesbaden: Dt. Univ.-Verl.
- Hoque, Z. 2006. Strategic management accounting. Frenchs Forest, N. S. W.:
- <https://assignbuster.com/strategic-management-accounting-essay-example/>

Pearson Education Australia.

Ward, K. 2012. Strategic Management Accounting. Miami: Routledge.

Wickramasinghe, D. and Alawattage, C. 2012. Management Accounting Change: Approaches and Perspectives. Olympia: Routledge.