

Abstract of chapter 8

Finance



of Chapter 8 of Chapter 8 Chapter 8 “ Management Control Systems and Responsibility Accounting” explores on how managers blend individual tools of management accounting to assist in achieving the organizational goals. The tools used by the managers in this respect comprise of the activity based costing, relevant costing, budgeting, and the use of variance analysis. The tools are most useful as part of the integrated system. Therefore, there is the application of a comprehensive plan for the coordination and the evaluation of all the organizational activities by value chain (Horngren, Sundem, Burgstahler, Schatzberg, In Battista & Horngren, 2014).

Using the case of Health Net for the above elaborations, managers of most organizations in the present world realize that a long-run success needs a focus on the cost, service, and quality. The above three components comprise the competitive edge of the entity. Therefore, Health Net uses such management control system in achieving such focus. Health Net as one of the prevalent managed health-care organization in the United States. It has about 7, 500 employees and a revenue of about \$12 billion in the year 2011, have an excellent management control system that has placed it above its competitors. The organization offers coverage up to 5. 6 million health plan members (Gitman, Zutter, In Mukherjee, In Battista, Gitman & Zutter, 2013). To compete effectively in the market, Health Net commenced a critical information systems development programs known as “ fourth generation medical management.” The control regulator is for the creation of a greater opportunity for growing the overall quality as the costs decreased by managing the patient care in the electronic link. The system provides physicians and other health care providers an instant user-friendly electronic access to comprehensive information about the medical history of various

patients as well as the best clinic treatment recommended. Therefore, a faster and a pre approved a referral to the best clinical resource whether specialist or an emergency room. The above measure ultimately satisfies the customers, and as a bonus, helps in the reduction of costs (Gitman, Zutter, In Mukherjee, In Battista, Gitman & Zutter, 2013).

A balanced scorecard applies where there is a need to strike a balance between the financial and the nonfinancial measures during the performance measurement process. It therefore, links performance to rewards and, therefore, gives the explicit recognition of the relationship between the organizational goals and the performance measures. The multiple performance measures used by organizations, both financial and the nonfinancial measures, reflects the key actions and the activities that relates to the goals of the organization (Horngren, Sundem, Burgstahler, Schatzberg, In Battista & Horngren, 2014).

In relating the nonprofit organizations to profit-seeking firms, the management control systems in the nonprofit organizations will probably never be fully developed as other businesses. The reason is that the organizational goals and objectives are less clear. Therefore, there are also a multiple aims and targets in the nonprofit organizations therefore requiring a complicated trade-off (Horngren, Sundem, Burgstahler, Schatzberg, In Battista & Horngren, 2014).

An effective management control system has to define clearly and communicate the organizational goals. Moreover, the system has to ensure that the employees and the managers understand well the specific actions required of them in the organization. Therefore, the system should provide a ground in which there is an effective communication of results of actions

across the organization. The above will assist in motivating employees and managers in accomplishing their organizational goals. Therefore, the best system for the organization is the one that most consistently leads to the actions that meets the organizational objectives and goals (Horngren, Sundem, Burgstahler, Schatzberg, In Battista & Horngren, 2014).

References

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