Abstract
In the world today the need for improvement the business management quality assumes significant change in organization and mode of business management. Establishing of appropriate level, structure and authority of business management depends in most cases on the size, number of employees, complexity of technological and business process, market position and other factors. Development of a business requires decentralization of operative functions. The decentralization of a business means the increase of operative activities control of greater number of managers in such a business. An important segment that so far was neither sufficiently applied in the romanian practice, not sufficiently treated is a system of responsibility.

One of the aims of this research is also stimulation of more intensive activities on initiating the process of accounting modernisation. First of all, on the improvement and more rational legal accounting regulation and motivation of professional accountants organization for quicker development of contemporary accounting principles and standards in compliance with tendencies of the european environment.

The known experiences just point to the necessity of more complex perception of place and role of the management accounting and within it of the system of accounting responsibility in preparing of business plans and budget, in creation of development and investment policy. Therefore, the system of accounting responsibility should enable monitoring and control of actual operational activities of each part of decentralized business.

The process of performance evaluation and accounting responsibility in a descentralized business organization represents a significant element of an internal control system and in that sense the emphasis was put on that fact in this paper.

Keywords: performance evaluation, business management, responsibility accounting, cost centers, profit centers, investments centers.

Classification JEL: L25, M20, M41.

1. Introduction
An organization consists of many people doing different types of jobs. Whether a company needs levels of managers depends on its size. The bigger organization needs the more managers. As a company grows, its functional operations and responsibility associated those functions tend to become descentralized.

Decentralization of company requires a special approach to managing and organization of enterprises. Accounting function helps management control the operations of a descentralized company. One approach to this task is to use a process called responsibility accounting, which is the foundation on which plans and budgets are developed in a descentralized organization. In this case, it is emphasize the resposibilities of varios centers in a descentralized company, such are, cost centers, profit centers and investments centers.

In the market economy, management accounting is an important precondition for a succesful total entreprise management and making of maximum profit. It is just that fact that emphasizes the need of responsibility accounting system development in enterprise management performances.[2]

Management wants to incur the lowest possible costs while still producing a quality product of providing a useful service. Profit oriented businesses want to maximize their profit.

To achieve these goals, management must know the origin of a cost or revenue item and be able to identify the person who controls it.
A manager’s controllable costs and revenue are those that result from his actions, influence and decisions. If managers can regulate or influence a cost or revenue item, the item is controllable at that level of operation. Or if managers have the authority to acquire or supervise the use of a resource or service, control cost.[7]

Determining controllability is the key to a successful responsibility accounting system. Identifying controllable cost at lower management levels is often difficult because these managers seldom have full authority to acquire or supervise the use of resource and services. [4]

For example, if resource are shared with another department a manager has only partial control and influence over such costs. For this reason, managers should help identify the cost for which they will be held accountable in their performance reviews. If cost and revenue items can be controlled by the person responsible for the area which they originate, then it is possible to design an efficient, meaningful reporting system for operating performance.

By concentrating on responsibility centers, a responsibility accounting system classifies and reports cost and revenue information according to responsibility areas assigned to managers or management position.

Even though a company uses a responsibility accounting system it still needs to collect normal cost and revenue data. Responsibility accounting focuses on the reporting, not recording of operating cost and revenue data. Once the financial data from daily operations have been recorded in the accounting system, specific costs and revenues can be reclassified and reported for specific areas of management responsibility.

2. Cost centers

Department or division of organization, whose manager is responsible only for costs incurred by that unit is known as a cost center. The manager of a cost center has no direct influence over revenue generation or decision to invest in capital equipment. Instead, he is charged with the responsibility of producing a quality product or service at a reasonable cost.

Cost center is the term used more often. However, it has two distinct meanings. When we have the accumulation of cost data, the term often refers to the smallest segment for which costs are accumulated and analyzed. Thus, if a machine were being analyzed and costs were collected for that analysis, the machine would be a cost center. When the term cost center is used in connection with responsibility accounting, it means an organizational unit with a manager is accountable for the unit’s actions.

What means a cost controllable? A cost was controllable if the manager could influence its incurrence and amount. Those costs must be operating costs incurred by the cost center. They are in practice variable depending on the center’s activity. Fixed cost for supervising a cost center should also be included in cost controllable by that manager, all other fixed, such as depreciation, insurance premiums and property taxes, as well as operating overhead allocated to the center cannot be controlled by the manager of a cost center.[6]

Cost centers have inputs (costs) that are measurable in lei, euro, dollars, sterling pounds, etc. but their outputs (products or services) are not. Such organizational units add value to a product or service or support the business in another way. Cost centers are not directly connected with the sale of product or service.

3. Profit centers

When a manager of an organizational unit is responsible for revenues, costs and resulting profits, their responsibility center is known as a profit center.

The term profit center is sometimes used in practice. A pure revenue center is one in which the department or business segment’s manager is only responsible for revenue generation. The costs incurred to generate that revenue are not used to measure the manager’s performance. Profit center is the more common term used in practice to describe a business unit in which the manager is responsible for generating revenues and incurring costs in such a way as to maximize profits. [6]

A profit center is operated much like a business since it shows a profit or loss for its actions during a particular period. From a control standpoint, it is much easier to monitor operations if the companies are broken up into profit centers. Large, decentralized companies are difficult to manage because of the size and diversity of the products sold or services rendered. By operating within a responsibility accounting system, a company can place managers in charge of dozens of small profit centers. Each manager is then responsible for the expected profit from his operating unit.

Controllable costs for a profit center are determined much as a cost center. A cost controllable only if the manager can decide if it should be incurred. Revenues of a profit center can also be controlled or influenced by the center’s manager. Such revenues are used to determine a center’s net income.

4. Investment centers

In modern economy, an investment center the concept of a responsibility center is carried one step further. The manager must responsible for the revenues, costs and profits of the department or organizational business unit for it to
quality as an investment center. The manager of such unit must be evaluated on the effective use of assets employed to generate those profits, including capital assets.[1]

There is little difference between a profit center and an investment center.

In a profit center, top management still determines the quantity and quality of assets a department uses. If such assets are old or nonproductive, the manager can request improved equipment but cannot decide whether to replace or repair it.

Since the manager of an investment center has control over assets, he must be evaluated based on the effective use of those assets. Not only in this amount of profit earned important, so is the center’s return on investment.

Net income can either be before or after taxes. Before tax net income is used to make the analysis simpler. After tax net income is commonly used in practice. The denominator is usually the average cost of assets used to generate a center’s profit. Although much has been written and debated about the methods of assigning value to the assets used. The most common approach is to use historical cost of assets and not reduce their value to book value. Such an approach tends to keep the denominator constant, and the results from year to year are more comparable. If book values are used, the denominator is decreased over the life of an assets. Thus one would expect the return on investment to increase.[8]

To evaluate the performance of an investment center’s manager, one must know the quantity and value of the assets under his control as well as the controllable cost and revenues for the period. Controllable cost and revenues are identified in the same manner as for a profit center. An investment center is similar to autonomous business organization, the manager usually controls more costs, such as insurance cost, depreciation of the center’s assets and property taxes traced to the center. The value of the assets used must be computed by someone familiar with the investment center.

5. Management performance report

In accounting theory and practice, performance evaluation is the application of financial measurement techniques so actual results can be compared with expectations and performance judged. An individual performance is measured by comparing actual and budget results of operations. Successful performance evaluation is result of several factors, some involving company policies and others human factors.

Performance evaluation of business is an important part of a company’s budgetary control program. An effective budgetary control program includes policies and procedures for:
- preparing operational plans;
- establishing responsibility for performance;
- communicating operational plans to key personnel;
- evaluating areas of responsibility;
- learning the causes of any variations between budgeted and actual results and making the needed corrections.

Operating policies alone will not give a company an effective performance evaluation system. The human aspect is critical to its success. People do the planning and perform the actions needed to generate a profit. They are also the evaluators and the evaluated.

Basic guidelines regarding people must be part of any effective cost and revenue control system. Behavioral consideration should include the following[3]:
1. Managers should have input into the standards and goals set for their areas of responsibility.
2. Top managers support of the evaluation process should be obvious.
3. Only controllable cost and revenue items with significant variances should be focus of performance report.
4. Oportunity for manager response should be part of the evaluation process.
5. All considerations assume that an effective compensation system for attaining set goals was previously established.

The manager responsible for an operating area must have direct input into the goal setting process. When a manager believes that an operating target is unrealistic, or that plans were developed without the participation of personnel from division or organizational part of company, the desire to reach those goals may not materialize. To prevent this negative reaction top management should emphasize participative goal setting. When division managers are involved in setting the targets against which they are to be evaluated, their incentive to perform is increased. [1]

Generally, the manager has to have technical and financial knowledge, he has to have a broad background in management, organization, planning, information science and other related specialized fields. However, he does not have to be a specialist, but rather a generalist. This means that he does not have to be an expert specializing in a certain discipline, no matter how important it might be. He has to have a certain amount of expertise in all the necessary specialized disciplines.[7]

Top management must show its support by clearly communicatig goals and plans including each person’s exact responsibilities. Such communication accomplishes two important aspects of the budgetary control process:
- a) communication spells out in detail management’s expectations of each manager;
Responsibility accounting is an information reporting system that classifies financial data according to specific areas of responsibility. In practice, a detailed organization chart of the company is created, all managerial positions that will become part of the performance accounting reporting system. For implementing a performance accounting reporting system is needed to have a specialist, but rather a generalist. This means that he does not have to be an expert specializing in a certain discipline, no matter how important it might be. He has to have a certain amount of expertise in all the necessary specialized fields.

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One of the aims of this research is also stimulation of more intensive activities on initiating the process of accounting modernisation. First of all, on the improvement and more rational legal accounting regulation and control; holding company responsible for cost outside holding control causes negative feelings and decreases the effectiveness of the system. Managers should have a chance to give top management feedback on their performance. Top management should praise good performance and not take it for granted. Silence does not imply good performance. It means bad management. If performance is poor or substandard the responsible person should have a chance to defend his actions. There may be a good reason for a variance, such as the cause being beyond the person’s control. The manager should be an important part of the management team, not just someone on whom blame is placed when performance is poor. Expectations of a manager’s performance must be realistic, accurate and suitable measures of performance should include predetermined budgets and standards.

A performance reporting system is based on concept of responsibility accounting. As known, responsibility accounting is an information reporting system that classifies financial data according to specific areas of responsibility. In market oriented economy countries responsibility accounting system provides relevant accounting information for performance evaluation of various management levels, which should enable more efficient functioning of the enterprise management.

Research results have been based of the investigations carried out at some big enterprises in the past five years, the ones that performed the process of restructuring ownership transformation and nowadays manage their affairs as holding corporations.

Positive experiences of management preparation in these enterprises for use of contemporary methods and management techniques serve as an example for development of modern management, more efficient evaluation of accounting information and development of responsibility accounting.

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However, we do not exclude the possibility that some standpoints and estimations, given in this paper, could be observed and pretended in the other way. The intention was to stimulate as much as possible, further development of management accounting and responsibility accounting system.

7. BIBLIOGRAPHY