Area of Responsibility Accounting

A very important aim consistently stressed out by the executive management in Bathroom Supplies and Design Limited encompasses effectiveness of divisions in reaching corporate objectives as well as efficiency in the organization's operations. Being an importer and retailer of bathrooms, tiles and sanitary ware, which is a very competitive market, it is central that the aforesaid factors are consistently applied in order to ensure the sound running of the company. In this respect responsibility accounting is exercised in all the divisions of the company, which comprise, Marketing Department, Purchasing Division, Project Department, Stores Department and Administration Section.

Purchasing Division

The two main objectives of the Purchasing Division entail efficiency and quality. It is important that this section purchases bathrooms, tiles and sanitary ware at good prices to enhance a sound profit margin. However, it is also important that the merchandise acquired is of a good quality to ensure that the image of the company does not suffer from low-quality products. Responsibility accounting rests upon the aforesaid two aims. In this respect the following standards are set:

- *Efficiency in Prices* – a standard price is set for each type of bathroom, tiles and sanitary ware. Such attainable standard is revised on a period basis in order to sustain its applicability. Variance analyses are conducted at the end of each month in order to evaluate the performance of the purchasing department.
- *Quality of Materials Acquired* – the setting of a standard for quality is much more complex than the previous one. Such attainable

standard is set by looking at the number of complaints put forward by customers on the product quality. Further more, a quality inspection exercise is carried out on the goods once delivered in stores by a specialized staff. Even though such activity entails considerable expenditure, management believes that it is imperative that the image of the organization is safeguarded, because it may have a detrimental effect on the firm's future...

…References:

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