



Received: 01-08-2023
Accepted: 10-09-2023

ISSN: 2583-049X

Improve the Strength in Management of Small and Medium Garment Enterprises in Hanoi by Using Responsibility Accounting

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Abstract

Consumer demand has decreased as a result of the global economic downturn and tighter monetary policy, which has had a significant impact on Vietnam's textile and apparel industry's production and commercial activity. Garment businesses need efficient management tools to handle the circumstance. Accountability is one of the models that supports company management. The current state of responsibility accounting at small and medium garment enterprises in Hanoi is examined in this article. We surveyed

50 small and medium garment enterprises in Hanoi using a qualitative research method. The results of the survey indicate that small and medium-sized clothing firms in Hanoi do not apply responsibility accounting at a high level. New businesses are primarily concerned with the information on financial accounts and are solely interested in revenue, costs, and profits. Many companies lack a clear strategy.

Keywords: Responsibility Accounting, Small and Medium Garment Enterprises

1. Introduction

Responsibility accounting is considered a system of collecting, processing and communicating financial and non-financial information that can be controlled according to the scope of responsibility of each administrator to achieve the overall goals of the organization. Responsibility accounting is one of the basic contents in management accounting at enterprises and is one of the economic and financial management tools that plays an important role in operating, controlling and evaluating. Evaluate the efficiency of production and business activities of the unit.

Responsibility accounting occupies a position and plays an increasingly significant role in economic management activities in organizations across the globe, particularly in nations with developed economies. Applying the principles of management accounting in general and responsibility accounting in particular is still a very new topic in Vietnam, and firms have not given it much thought.

Therefore, the article studies the level of responsibility accounting application in small and medium garment enterprises in Hanoi. The research results are the basis for the author to propose solutions to enhance the application of responsibility accounting in small and medium garment enterprises in Hanoi.

2. Research overview

Responsibility accounting has been studied by many domestic and foreign researchers from many different angles. A.N.M. Asaduzzaman Fakir & Muhammad Zahirul Islam (2014) ^[1] studied the current situation of responsibility accounting in listed garment enterprises in Bangladesh. The authors conducted a survey and evaluated the level of satisfaction in the responsibility accounting organization at these enterprises. Research results show that businesses are quite satisfied with the responsibility accounting organization.

Yisa. A. Adeniji and colleagues (2020) ^[9] carried out a survey on the state of responsibility accounting at listed manufacturing firms in 54 listed manufacturing enterprises in Nigeria. The findings demonstrate the influence of responsibility accounting on business operations as well as its contribution to increased operational effectiveness. The authors advise managers to use responsibility accounting in corporate management as well.

Aiyun Zhang, Susu Liu (2020) ^[2] conducted research on the current status of responsibility accounting in e-commerce enterprises in China. The authors uses interview and case study methods to research the level of responsibility accounting application and propose a new responsibility accounting model for these businesses. Research results show that businesses are

ready to apply this new responsibility accounting model. Domestic researchers also conduct empirical research at enterprises in different fields of activity.

Thi Yen Oanh Le & Thanh Hanh Hoang (2023) [6] studied factors affecting responsibility accounting at manufacturing enterprises in Vietnam. The author conducted a survey of 108 manufacturing enterprises listed on the Vietnamese stock market in 2020. Research results have shown that factors of cost centers and budget control systems have a significant impact. to apply responsibility accounting in listed manufacturing enterprises. However, the research results show that the professional level of the manager has an insignificant influence.

3. Theoretical Basis of Responsibility Accounting

Concept and Nature of Responsibility Accounting

There are many different responsibility accounting principles, depending on how one approaches and applies it in an organization.

One of the first scholars to present the idea of responsibility accounting was Higgins (1952), who defined it as an internal accounting system designed to gather and report expenses at all levels. Duties performed by the unit. Controlling a certain cost must be the responsibility of every administrator in the company. The foundation of responsibility accounting is the unit's organizational structure.

According to Atkinson *et al* (2001), responsibility accounting is an accounting system that collects, synthesizes and reports accounting information related to the responsibilities of each individual manager in an organization. Organization through reports related to costs, income and operational metrics by each area of responsibility or unit within the organization. This system provides information to evaluate the responsibilities and achievements of each manager. Responsibility accounting produces reports that contain both controllable and uncontrollable objects for a level of management.

According to the Institute of Accounting (ICMA), responsibility accounting is a method of accounting that distinguishes between revenue and costs in specific domains to assess the accomplishments of managers who have been given specific responsibilities and authority.

Responsibility accounting is a management control method that is founded on the decentralization and localization of responsibility tenets. Measuring manager performance is a key duty accounting function.

From the above perspectives on responsibility accounting, we can draw some of the most general essences of responsibility accounting as follows:

Firstly, responsibility accounting is an important content of management accounting that provides relevant financial and non-financial information about the economic activities of the unit in order to control activities and evaluate achievements. Of each department, the head of the department.

Secondly, the organizational structure of the unit with clearly delegated management and power is related to responsibility accounting. During the operation of the unit, administrators at all levels are permitted to make decisions in accordance with their management duties.

Thirdly, responsibility accounting can be based on the organization and level of decentralization to divide into

responsibility centers or can be based on the content of responsibility accounting to divide into aspects for organization. Responsible accounting position in the unit. In each aspect, responsibility accounting uses a mixture of cost accounting methods and performance evaluation methods, especially modern methods to record, measure, and evaluate performance results be in the unit.

Fourthly, responsibility accounting creates a set of reports that give managers access to both financial and non-financial data so they may make decisions.

Fifthly, responsibility accounting offers data that managers can use to monitor the actions of subordinate managers by taking personal accountability for hitting both financial and non-financial goals to fulfill the established basic plan.

Responsibility Accounting's Function in Management

Responsibility accounting is a part of management accounting, so responsibility accounting plays an important role in management:

Responsibility accounting provides information to managers:

- For senior managers (the Board of Directors): Responsibility accounting pinpoints responsibility centers, allowing administrators to organize each center's activities and establish goals. Evaluate. Administrators use responsibility accounting to assess and revise departmental strategies as necessary.
- For intermediate management levels (departments and divisions in the enterprise), responsibility accounting provides information for performing management control and financial control functions. Through responsibility accounting, administrators can analyze and evaluate the performance of each department with targets on revenue, costs and profits. Identify remaining problems to overcome limitations to adjust target strategies accordingly and bring the highest investment efficiency.
- Responsible accounting motivates managers to contribute to the shared objectives of the company, especially for junior level managers. Responsibility centers' operational objectives must be related to the enterprise's overarching objectives. To do this, grassroots managers must possess the knowledge necessary to steer their departments in the appropriate directions or to make necessary adjustments. Responsibility accounting provides such data, such as: Work results, finances, and human resources.

Responsibility accounting information is useful for top managers in controlling the actions related to their subordinates' responsibilities, but it also benefits managers in other departments. Levels can self-correct their behaviors for shared objectives by viewing their accomplishments and management responsibilities. Managers at all levels can use the information provided by responsibility accounting to establish their responsibilities and how they will report to higher level managers throughout operations to accomplish departmental goals and the organization's overarching objectives.

The Core of Accountable Accounting

Every division inside the company that has authority over expenditures, revenues, profits, or capital investments is referred to as a responsibility center from the standpoint of the responsibility accounting system. The rights and

obligations for each particular subject at each level will be decided by each center. The manager's rights and responsibilities serve as the foundation for determining the center of a department. Cost center, revenue center, profit center, and investment center are the four areas of responsibility. Specifically:

- Cost center: A center of accountability when the management is only in charge of, or has control over, expenses and has no other responsibility for, revenue, earnings, or investments. Cost centers are frequently connected to the unit's operating departments.
- Revenue center: A responsibility center where the manager is responsible for revenue, not for profits or investment capital. Revenue centers are often associated with facility management levels such as sales departments, branches or product outlets.
- Profit center: A division of the company where the manager is in charge of all revenue, expenses, and operational outcomes. Middle level management is frequently linked to profit centers, although the center administrator has complete control over everything from the operating plan to the unit's operational procedures.
- Investment center: Located at the highest level, the investment center is where administrators plan and oversee the activities of the division with a focus on three key factors: costs, earnings, and investment capital.

Assess Responsibility Centers

- Cost center: assessing a cost center's effectiveness frequently evaluates and compares standard or projected expenses with actual costs in both relative and absolute numbers. Cost centers are frequently associated with operational management levels, where products and services are directly created. Cost centers frequently execute functions such as cost estimation, cost classification, and cost comparison with standard costs.

Cost Variance = Actual Cost - Estimated cost

- Revenue centers: To assess the effectiveness of revenue centers, people frequently study, compare, and evaluate changes in revenue and sales costs in absolute and relative terms.
- Profit center: A profit center's purpose is to maximize earnings. As a result, the responsibility of a profit center extends beyond revenue and includes cost management. When examining an administrator's responsibilities in a profit center, it is frequently followed by the following contents: In terms of relative and absolute statistics, compare the realized profit level to the plan.

Profit Variance = Actual profit - Estimated profit

At the same time, an important content to evaluate a profit center is the center's profitability and efficiency. To evaluate this content, administrators can use it to evaluate the center's responsibility through the following indicators: Contribution profit ratio, Department profit ratio, Department profit ratio on department revenue.

- Investment centers: To evaluate the performance of these centers, people often use indicators such as: Residual income (RI), return on investment (ROI).

ROI = Profit after depreciation / Capital employed

RI = Profit - Imputed interest

4. Research Method

The essay employs interview techniques and questionnaires to investigate the amount of responsibility accounting application. The author employed semi-structured and unstructured questions in the Interview Questionnaire. The author created a semi-structured interview questionnaire with five questions about the role and amount of use of responsibility accounting in firms.

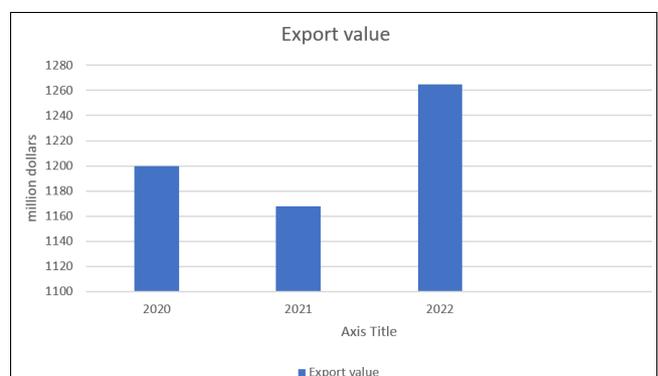
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Based on the overall research results and the results obtained from the interviews, the research team built a questionnaire and distributed surveys using the Google Driver tool to administrators such as the Board of Directors, chief accountant, Accountant in small and medium garment enterprises in Hanoi. In this article, the authors conducted a survey of 50 small and medium garment enterprises in Hanoi. The authors selected survey businesses using the convenience sampling method. The author group distributed 50 ballots, resulting in 46 valid ballots, which will be analyzed using descriptive statistical methods to evaluate the level of responsibility accounting application in small and medium garment enterprises in Hanoi.

5. Results

Introduction to Small and Medium Garment Enterprises in Hanoi

According to data from the General Statistics Office, Hanoi, although this industrial sub-sector only ranks 11/32 in terms of production value, it ranks 2/32 in terms of labor and employment. Hanoi's annual textile and garment export value also reaches over 1 billion USD/year.



Source: VIRAC

Fig 1: Textile and garment export value of small and medium garment enterprises in Hanoi

There are currently about 500 clothing firms in Hanoi, employing over 60 thousand people. Participating state-owned firms, private enterprises, and over 20 FDI enterprises. The majority of them are small and medium enterprises.

The method of outsourcing sewing, which was very popular in the past at small and medium garment enterprises in Hanoi, has now decreased because of its low efficiency. Small and medium garment enterprises in Hanoi have strongly shifted to the production method of buying raw materials and selling products. In particular, Hanoi has had many garment enterprises create breakthroughs when switching to making products with their own brands, achieving higher economic efficiency. Some enterprises with FDI capital, although entering the market late, have quickly achieved large production scale such as Viet Pacific Company, Jc plus vina, Recently, many small and medium garment enterprises in Hanoi have Paying a lot of attention to in-depth development, focusing on design, style and quality. Processes that have long been weak such as R&D research and development, design, fashion sewing, developing new designs, developing distribution systems, etc. have also made very significant progress.

The current state of responsibility accounting centers in Hanoi's small and medium garment enterprises;

Cost center: Cost control is always a worry for administrators. According to survey data, 100% of Hanoi's small and medium garment enterprises have set guidelines and cost estimates. However, costs for publicly traded steel manufacturing companies are primarily identified by cost components in product prices in order to prepare financial statements. Few businesses divide their costs into variable and fixed costs.

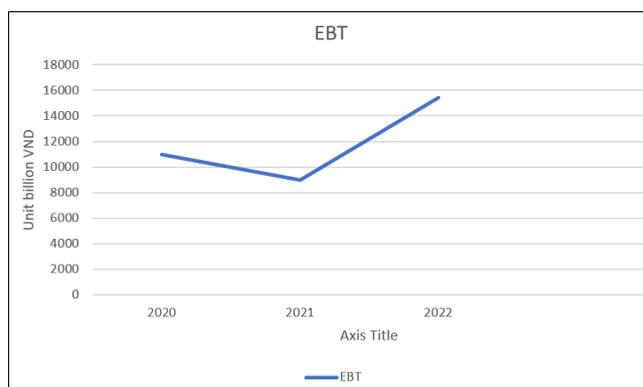
Table 1: Variables reflecting the current situation of cost centers in Hanoi's small and medium garment enterprises Descriptive Statistics

	N	Mean	Std. Deviation
MD.CP1. Costs should be classified as variable or fixed	46	2.1925	.53295
MD.CP2. Costs should be classified according to the elements in the product price	46	4.1762	.68931
MD.CP3. Setting up production and business cost norms	46	3.5863	.62725
MD.CP4. Cost estimate	46	3.8172	.68521
Valid N (listwise)	46		

Revenue center: Processing can generate a lot of money for small and medium garment enterprises in Hanoi. In recent years, many enterprises have increasingly shifted from producing raw materials to making finished goods, but income remains low. Businesses track revenue for each product type separately.

Profit center: Due to limited resources, there is no obvious division between profit center, cost center, and business center for small and medium garment enterprises in Hanoi. collect. As a result, managers in revenue centers and cost centers are still accountable for-profit results. Because cost classification is primarily used to prepare financial reports, very few small and medium garment enterprises in Hanoi calculate distinct profits for each type of product. This influences the evaluation of each item's business efficiency. Profit at new enterprises is merely the enterprise's overall profit aim. Business operations of garment enterprises in

general, as well as small and medium- garment enterprises in Hanoi, rebounded and rose in 2022 when compared to 2021.



Source: VIRAC

Fig 2: Profit before tax of small and medium garment enterprises in Hanoi

Investment centers: Investment centers include the Board of Directors and the Board of Directors. With governmental assistance in conducting seminars and online trade promotion so that enterprises can discover partners and grow export markets; the state promotes recruiting investment capital into the textile and garment industry... However, due to its heavy labor consumption, Vietnam's textile and garment industry is one of the industries facing the biggest problems from the 4.0 industrial revolution. Over 70% of textile and garment firms are small and medium enterprises, making it difficult to invest in and implement new technology.

Current State of Assessment Criteria for Responsibility Centers

Evaluating cost centers: Most small and medium garment enterprises in Hanoi examine cost fluctuations to assess their cost management status (mean = 3.8792).

Assess revenue centers: Assess revenue centers primarily through revenue targets for each product category and an examination of revenue changes in comparison to the plan and the same period last year. According to survey data, the majority of organizations create revenue reports by product (mean = 3.9163).

Evaluating profit centers: Most businesses evaluate profit results through the criterion "profit difference". Profit center reports are mostly reports for financial reporting purposes. The level of reporting based on variable and fixed cost factors is low (mean = 2.1084).

Table 2: Variables describing the profit center scenario in Hanoi's small and medium garment enterprises Descriptive Statistics

	N	Mean	Std. Deviation
MD.LN1. Determine the profit gap	46	4.2913	.63829
MD.LN2. Prepare profit reports based on cost behavior.	46	2.1084	.51235
MD.LN3. Create profit reports for each product category.	46	2.0156	.50821
Valid N (listwise)	46		

Evaluation of investment centers: In addition to the criteria for evaluating costs, revenue and profits, most small and medium garment enterprises in Hanoi use a number of

traditional indicators: fertility rate. Return on investment (ROI), return on assets (ROA), return on equity (ROE). Most investment capital assessment reports are not clear and complete (mean= 2.1672).

6. Discussion and Conclusions

In addition to the general issues of Vietnam's textile and garment sector, small and medium garment enterprises in Hanoi face numerous challenges in terms of business resources and market competitiveness. As a result, in order to assist these organizations in recovering and growing, businesses must increase their management capabilities. The organization of responsibility centers is an effective management tool. The authors recommend a number of remedies based on the research findings to improve the implementation of responsibility accounting to increase management capacity at small and medium garment enterprises in Hanoi:

1. In terms of Management Decentralization

First of all, the board of directors is clearly aware of the importance of private accounting in business management. In addition, the private accounting system has a close relationship with the management hierarchy, so managers need to have good expertise and be regularly trained.

The management model must be clearly decentralized. The management decentralization model in the private sector is built to ensure compliance with production characteristics, management organizational structure, and production technology process.

2. Concerning Responsibility Centers

Cost classification is carried out by businesses. Businesses divide costs into variable costs and fixed costs in order to prepare reports for each department and kind of product.

To evaluate the outcomes of each department, prepare cost, revenue, and profit reports for each department and product category.

Create indicators to assess the outcomes and performance of responsibility centers. Simultaneously, incentive regulations tailored to each evaluation criterion are required.

3. Expand the Use of Technology

Because of the characteristics of small and medium garment enterprises in Hanoi, the human resource level of textile and garment enterprises is still low (with 84.4% of workers having general education and 0.1% having university education), necessitating businesses to invest and improve labor qualifications.

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