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Responsibility Accounting at Animal Feed Producing Enterprises in Vietnam

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Abstract

Responsibility accounting is a concept of management accounting that was first mentioned in the US in 1950 in the work "Basic organizational planning to tie in with responsibility accounting" by Ailman, H.B. 1950. Up to now, responsibility accounting has been widely and effectively applied in many countries, such as the US, France, Japan, etc. Responsibility accounting is closely related to the management hierarchy in enterprises. Responsibility accounting is only suitable for companies and corporations with large-scale, long-standing operations, rapid growth, company leaders who believe in decentralizing authority to subordinate

leaders, and control systems and manage operations effectively, ensuring the entire machine operates smoothly. Therefore, in Vietnamese enterprises in general and animal feed production enterprises in Vietnam in particular, responsibility accounting is still a new issue. In this article, the author wants to discuss the issue of management decentralization and the role of responsibility accounting in controlling management activities. From there, build a responsibility center and a system of indicators to evaluate the management responsibility of centers in animal feed production enterprises in Vietnam.

Keywords: Responsibility Accounting, Animal Feed Manufacturing Enterprises, Vietnam

1. Introduction

According to the Food and Agriculture Organization of the United Nations (FAO), demand for food goods will increase by 60% by 2050, of which demand for animal protein will increase by 1.7% per year. Production of meat, seafood, and dairy products is also expected to increase. Demand for meat is increasing, contributing to market development and positively impacting the growth of the livestock market, leading to the production and business of animal feed. The global animal feed market size reached 482.1 billion USD in 2021 and is expected to reach 589.4 billion USD in 2027, with a growth rate (CAGR) of 3.5% during 2022-2027 (according to IMARC). As a country with abundant raw material resources, Vietnam has a lot of potential to develop animal feed activities. According to statistics, the total demand for concentrates (corn, soybean meal, bran, fishmeal, etc.) for the entire Vietnamese livestock industry is about 33 million tons per year. However, domestic supply only reaches about 13 million tons per year, accounting for 35%. Thus, Vietnam has to import up to 65% from the outside market. For the domestic market, 40% of businesses and experts participating in the Vietnam Report's survey said that the outlook for the animal feed industry in 2023 is positive growth, a little better, and a high growth rate in the next 5 years. The main factor driving the market's growth is Vietnam's increasing consumption of poultry and livestock meat. This comes from the ever-improving average income level, thereby increasing people's purchasing power. In addition, the recovery and development of the tourism and hotel industries are expected to continue to promote the growth of Vietnam's animal feed market in the coming period. In addition, the increasing rate of livestock households converting from small-scale livestock farming to organized farming based on farm size is expected to continue to promote growth opportunities in the animal feed market in the coming years.

Therefore, the development opportunity for animal feed processing businesses in Vietnam is huge. Animal feed production enterprises have had strong development, plays an important role in socio-economic development. There are currently a large number of Vietnamese animal feed production enterprises with different scales, so the way the management apparatus is organized also has many different features. However, most of these enterprises are organized in a functional online management system, dividing the enterprise management apparatus into functional departments with independent professional responsibilities. The highest level of management in an enterprise is the board of directors, followed by the general director, and below that are department directors. With the characteristics of management, production, and business organization of animal feed production enterprises, it shows that the application of the private accounting system is necessary and appropriate. Help businesses achieve common goals and determine the contribution of each department to the overall goal of the business.

This is also an information channel to evaluate the performance of managers in enterprises.

2. Management Decentralization and the Role of Responsibility Accounting in Controlling the Management Activities of Animal Feed Manufacturing Enterprises in Vietnam

The success of any enterprise's production and business activities depends on many factors. One of them is to organize the management apparatus well, decentralize authority, and assign responsibilities to each level of management. Especially for large-scale companies, decentralizing management to departments is a prerequisite for the success of managing production and business activities within the enterprise. Through decentralization in the organization, senior managers have the opportunity to focus on strategies, and lower-level managers have opportunities, management experience, and better information when making decisions. Responsibility accounting only exists and is effective if the organization has decentralized management and responsibility is spread

across all levels of management in the organization. Therefore, the purpose of responsibility accounting is to establish the rights and responsibilities of each department and member and build a system of indicators and reports as a basis for evaluating the performance of the departments, department managers. Responsibility accounting provides an information system to evaluate the responsibilities of managers within the scope of their control or influence. Responsibility accounting provides information for the performance of financial control and management control functions.

To ensure that the responsibility accounting system is implemented, businesses are required to build a network of responsibility centers. A responsibility center is a unit, a department, or a part of an organization in which a manager is assigned specific rights and must be responsible for activities related to those rights. Responsibility accounting is considered part of a performance measurement and control system used to measure the performance of responsibility centers.

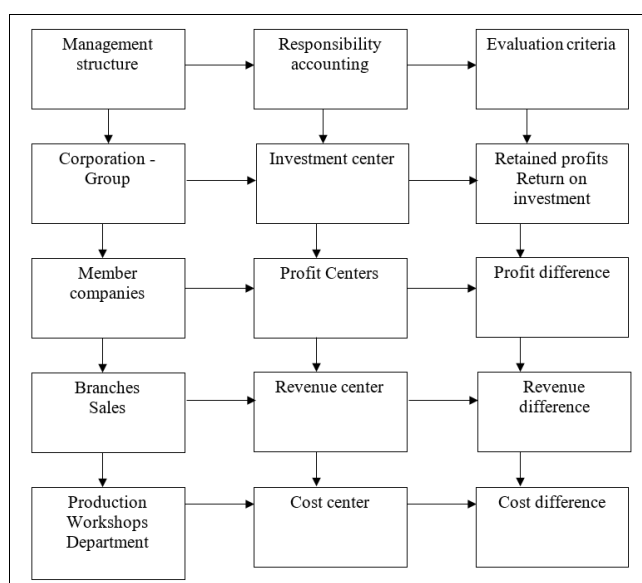


Diagram: Responsibility accounting in relation to the organizational structure of production and business management of animal feed production enterprises

3. Responsibility Centers and An Indicator System to Evaluate the Management Responsibilities of Responsibility Centers in Animal Feed Manufacturing Enterprises in Vietnam

In manufacturing enterprises in general, once management has been decentralized, it will lead to the formation of responsibility centers. For animal feed production enterprises in Vietnam, based on the different characteristics of management structure, production, and business organization, natural centers can be built as follows:

Cost Center

A cost center is a responsibility center in which managers control costs but do not control revenues and resources invested in the department. At enterprises producing animal feed, the cost centers are: production workshops, production teams, production lines, and functional departments. Cost centers should be built on many levels: factory level (animal feed factory), workshop level (factory producing animal

feed for piglets), and production level (crushing line). In these centers, the central accountant will perform the following tasks: make costs; analyze and evaluate cost differences between estimates and actual data.

Characteristics of animal feed products are that each animal feed product has its own formula, including the percentage of each type of raw material in 1 kg of finished product. Animal feed products have a small value and a large product volume. The product portfolio is stable and has little fluctuation. Therefore, animal feed products must strictly comply with material and technical norms, requiring the work of establishing norms and monitoring the implementation of norms to be carried out in a regular manner. For enterprises producing animal feed, before going into production of a product, enterprises must build standard cost norms and estimate production and business costs. To evaluate the management responsibilities of the government center, it can be based on basic criteria such as:

$$\text{Difference in production cost of 1 product} = \text{Actual production costs incurred for one product} - \text{Standard production costs}$$

$$\text{Production cost difference} = \text{Actual production costs incurred} - \text{Estimated production costs}$$

Then analyze volume fluctuations and price fluctuations in the total fluctuations to determine the causes affecting cost fluctuations, thereby taking correct and timely measures to control costs according to norms.

$$\text{Price fluctuations} = (\text{Real price} - \text{Norm price}) \times \text{Actual amount}$$

$$\text{Variation in quantity} = (\text{Actual amount} - \text{Estimated amount}) \times \text{Norm price}$$

Revenue Center

A revenue center is a responsibility center where the manager is responsible for the revenue generated, not for profits or capital invested. Animal feed production enterprises in Vietnam today all organize consumption networks through branches. Each sales branch is a revenue center, meaning the level of sales revenue will represent the center's operating results. Consumer branches are often only responsible for their own branch operations and are not responsible for the performance of other departments in the business. The responsibility of the branch administrator is to organize sales activities to achieve the largest branch revenue. The person responsible for the revenue center is the sales manager and branch manager. At this center, the central accountant will perform the following tasks: revenue realization; analyze and evaluate revenue differences between estimates and actual figures.

The main indicator system used to evaluate the management responsibility of the revenue center is the revenue gap and estimated revenue realization rate.

$$\text{Revenue difference} = \text{Actual revenue} - \text{Estimated revenue}$$

$$\text{Estimated revenue realization rate} = \frac{\text{Actual revenue}}{\text{Estimated revenue}}$$

Through this indicator, we can evaluate the branch's performance and also the performance of the branch manager. If this difference is negative, it shows that the branch is operating ineffectively and has not achieved its set goals. From there, there are solutions to increase branch operational efficiency.

Profit Center

A profit center is a department where the manager controls both costs and revenues but does not control the resources invested in the department. In animal feed production enterprises, the profit centers are member companies under the corporation or group. According to the management structure of animal feed production enterprises, the general director, director, etc. are responsible for the profits generated. Central accounting will perform the following tasks: realize profits; analyze and evaluate profit differences between estimates and actual data.

A profit center is a combination of a revenue center and a cost center. Therefore, revenue and costs are the factors that affect profits. In addition to the evaluation criteria used in

revenue and cost centers, the main profit indicators are also used: Profit difference and estimated profit realization rate.

$$\text{Profit difference} = \text{Actual profit} - \text{Estimated profit}$$

$$\text{Estimated profit realization rate} = \frac{\text{Real profit}}{\text{Estimated profit}}$$

For animal feed manufacturing companies in Vietnam, at profit centers, in addition to direct costs incurred related to the center's operations (department fixed costs), there are also other costs. Other fees are allocated by superiors. Therefore, in addition to the above indicators, to evaluate the performance of a profit center, you can use the indicators of departmental profits and the ratio of departmental profits to departmental revenue.

$$\text{Departmental profits} = \text{Contributed profits} - \text{Departmental fixed costs}$$

$$\text{Departmental profit ratio} = \frac{\text{Departmental profits}}{\text{Departmental revenue}}$$

Through departmental profit, the departmental profit ratio evaluates the contribution of each department to the overall profit of the entire enterprise. The report evaluating the performance of the profit center is shown in the analysis report on the implementation of department profit estimates and the business results report by department.

Investment Center

An investment center is a center whose manager is not only responsible for revenue or costs but also decides on the level of capital invested and used in the production and business processes. With the current organizational structure of animal feed production companies in Vietnam, the investment center is the Board of Directors. The person most responsible for the investment center is the chairman of the board of directors.

To evaluate the responsibility for investment capital performance, the main indicators are used: ROI and RI. ROI target aims to analyze and evaluate investment efficiency and capital use efficiency to find solutions for better business results for the corporation, groups, and member companies.

$$\text{Rate of return on investment (ROI)} = \frac{\text{Profit}}{\text{Average investment capital}}$$

For Vietnamese animal feed production enterprises, where investment centers have differences in scale and investment capital, ROI criteria should be used to evaluate center management responsibilities. This indicator encourages managers to focus on the relationship between revenue, costs, and investment capital. Encourage managers to focus on the performance of business assets. However, the ROI target has some limitations: if you only focus on high ROI, you may miss many business opportunities, encouraging administrators to focus on short-term goals but at long-term costs. Therefore, in some cases, managers of animal feed production enterprises in Vietnam should use additional RI indicators. The RI indicator encourages managers of manufacturing enterprises to accept profitable investment projects that would have been rejected if the ROI method had been applied.

$$\text{Retained profit (RI)} = \text{Investment center profit} - \text{The cost of capital}$$

$$\text{The cost of capital} = \text{Investment capital of the investment center} \times \text{Interest rate}$$

Nếu $RI > 0$ is considered acceptable. However, RI is an absolute indicator, so it is impossible to compare and evaluate the responsibilities of investment centers with different amounts of capital and investment assets.

Through this system of indicators, it helps administrators evaluate the investment center's performance and the center administrator's performance, thereby helping administrators find solutions to improve efficiency. Operations, maximize profits, and effectively use assets.

4. Conclusion

Animal feed production enterprises in Vietnam have made many positive developments in many aspects. Especially the change in management organization and organization of production and trading of animal feed products. The management organization is carried out according to a functional online model, and the production and business organization follow a closed model. Along with the typical characteristics of animal feed products, building a responsible accounting model in animal feed production enterprises in Vietnam today is necessary to well control costs and use. Inherently effective. However, the number of enterprises producing animal feed in Vietnam is many and diverse in scale, so the organization of the responsibility accounting system depends on the practical conditions and characteristics of production and business organization, as well as strategic goals. Strategy of each animal feed production enterprise. Managers of animal feed production enterprises in Vietnam, when building a responsible accounting system, need to pay attention to efficiency, consider the benefits gained and the costs spent to build and maintain this system, and make appropriate decisions.

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