

Place of Accounting Information in Business Decision Making Within Tuzla Canton Companies

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Abstract – This paper presents the results of the primary research regarding management relations towards accounting information that is used in the business decision making process applied in manufacturing companies of the Tuzla Canton (here on: “TC”). The research commences from the fact that the interaction between accounting function organization quality and business decision making is important, because it has direct effect on applied practice when managing operating performances of a company. Taking into consideration management relations towards accounting information in the decision making process, dysfunctional areas within accounting function organization segments are identified. This opens up possibilities to affect modernization of the performance management through the process of redesign of those dysfunctional areas. According to our knowledge, similar research has not been conducted on the area of B&H manufacturing companies' operations.

Keywords – Accounting information, business decision making, operating performance management, manufacturing companies.

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1. Research Areas and Goals

The research area in this paper is the intensity of using accounting information and the efficiency level of accounting support to the management in decision making process within Tuzla Canton manufacturing companies. The results of this research should enable identification of key dysfunctional areas within an organization of the accounting function. The hypothesis that we are trying to prove is as follows: „The role of accounting information in the decision making process of TC manufacturing companies is small, because of the low level of development and inadequate adaptation of the organization to the accounting function needs in order to manage performance.“

The defined area will be researched commencing from the following goals:

G1: Define purpose and level of using accounting information by the management in the process of operations management;

G2: Define the level of management satisfaction with the quality of accounting information made available to them;

G3: Define the status of the accounting information system („AIS“) in the management information system („MIS“) for the companies that are researched;

G4: Define the relation of the management to the organization of the accounting function;

G5: Define the level of management knowledge of the modern role of accounting;

G6: Define the characteristics of performance management of the researched companies, and the adequacy of the accounting information used by management for that purpose;

G7: Define dysfunctional areas within an organization of accounting function and systematization of samples of the current status.

2. Research Sample and Methods

The units of the research sample are manufacturing entities within Tuzla Canton. Those are the entities that are according to the activity classification list from Bureau of Statistics of FB&H and Agency for statistics of B&H classified into one of the following groups: C – extraction of ore and stone, D – processing industry, E – production and provision of electric energy, gas and water, F – construction industry. Total population of these entities is 1.604 companies, of which 36 are in the C group, group D has 1007, and group E count is 33 and F 528 companies.

From the alphabetical list of entities stated above, which are registered in Tuzla Canton, one hundred and fifty (150) have been chosen to be the survey sample. The survey has been done in the period from 01.01. until 31.05.2013. From the total of 150 companies, survey questionnaires have been answered and sent by one hundred and three (103) companies. The response rate was 68.66%. It is important to state that 6.42% of all legal entities population have been included into the survey, in other words, about every 16th company has been included. After the survey was done, all of the legal

entities have been divided into three separate groups by their size (large, medium and small companies). The division was done in accordance with the FB&H Law of Accounting and Revision ("Federation of B&H Gazette", no. 83/09, Article 4.) from 01.01.2010. Poll questionnaires were answered by the managers of all ranks.

The structure of the surveyed manufacturing companies from the area of Tuzla Canton is defined by the entity size, and is shown in the Table 1.

Entities:	Large	Medium	Small	TOTAL
Quantity	31	37	35	103
% of participation	30,10	35,92	33,98	100,00

Table 1. The Structure of Surveyed Entities

For the analysis of the data collected through research, we used statistical methods, namely, the descriptive statistical analysis of the collected data, and descriptive analysis of the relations between the chosen data. To make the conclusion, we used knowledge gathered through the observation method as well as the analysis and synthesis without which the dysfunctional areas of the accounting function could not be noticed as well as the reasons for their existence.

3. Results and Interpretation of the Research Results

In order to consider the level and purpose for using accounting information for management process of company operations (Goal no. 1), the units sampled where asked the following questions:

1. *What is the purpose and the intensity of using accounting information by the management?*
The results of the research are presented in Table 2.

Purpose	Intensity is Expressed on the Scale from 1 to 5					Pondered Average Grade
	1	2	3	4	5	
Planning	0,97%	5,83%	20,39%	38,83%	33,98%	3,99
Operations Reports	0,00%	1,94%	20,39%	41,75%	35,92%	4,12
Analysis	0,00%	1,94%	17,48%	46,60%	33,98%	4,13
Control	0,00%	2,91%	20,39%	34,95%	41,75%	4,15
Decision Making	1,94%	7,77%	15,54%	36,89%	37,86%	4,01

Table 2. The Purpose and the Intensity of Using Accounting Information by the Management

Note: The intensity is graded from 1 to 5 individually by the purposes but relating to accounting information participation within total information used for the certain purpose. Therefore, grades are not allocated by separate purposes as a comparison of the individual purposes.

This research shows that the accounting information are mostly used for the purpose of control, then for the purpose of analysis, operations reports, decision making, and are least used for the purpose of planning. Planning and decision making are the last from the aspect of intensity of using accounting information.

2. *At what level of decision making is accounting information used as basis for decision*

making? The research results are presented in Table 3.

From the table above, we can notice that about 46% of the surveyed state that the accounting information is not used at all levels of decision making. Then, 11.43% of the small entities state that this information is negligibly small in decision making. Having that in mind, we can conclude that managers often make decisions on the basis of their intuition or past experiences or other sources of

Level of Decision Making	Entity Structure by Size			Average
	Large	Medium	Small	
All Levels of Decision Making	61,28%	56,75%	45,72%	54,36%
Strategic Decisions	25,81%	18,92%	17,14%	20,39%
Tactic Decisions	3,23%	8,11%	8,57%	6,80%
Operative Decisions	9,68%	8,11%	17,14%	11,65%
Using Accounting Information in Decision Making is Negligibly Small	0,00%	8,11%	11,43%	6,80%

Table 3. Level of Decision Making and Using Accounting Information

information. This research shows the fact that the intensity of using accounting information grows proportionally to entity size.

Even though 54.36% of the surveyed units have stated that all the decisions are made using accounting information that does not tell us that this information is correct or adequate for the needs of operations decision making. Therefore, we need to research the level of satisfaction of management with the quality of accounting information that is available to them (Goal no. 2).

The quality of accounting information can be seen through the characteristics of correctness (relevancy,

reliability, and completeness), timeliness, and understandability. All these characteristics have been researched on in order to define the adequate survey questions. In this research, the criteria to validate accounting information are not considered, since all accounting information has to be documented and is validated in that way. Besides the mentioned, the aggregated available information is considered, since it is also relevant for grading of the researched status.

1. Assess the Correctness of the Accounting Information? The results are presented in Table 4.

Entity Size	Assessment of Correctness Presented on a Scale from 1 to 10						Pondered Average Grade
	from 1 to 5	6	7	8	9	10	
Large Entities	16,13%	3,23%	3,23%	29,03%	25,81%	22,57%	8,06
Medium Entities	13,51%	2,70%	8,11%	35,14%	16,22%	24,32%	8,05
Small Entities	17,14%	8,57%	22,86%	34,29%	5,71%	11,43%	7,26
Average	15,54%	4,85%	11,65%	33,01%	15,53%	19,42%	7,79

Table 4. The Assessment of Correctness of Accounting Information

The pondered average grade of the correctness of the accounting information is 7.79, where the opinion of the surveyed about correctness of the accounting information increases with the increase of entity size. The gap to the maximum grade shows that management believes that they can get much more information from accounting from the aspect of the

accounting information correctness. In small entities, accounting information is barely used, as seen in table above, which accounts for the lower grade of accounting information correctness.

2. Assess the timeliness of delivering the accounting information? The results are presented in Table 5.

Large Entities	Assessment of Timeliness of Delivering Accounting Information Presented on a Scale from 1 to 10						Pondered Average Grade
	From 1 to 5	6	7	8	9	10	
Large Entities	9,68%	0,00%	0,00%	29,03%	35,48%	25,81%	8,55
Medium Entities	10,81%	0,00%	8,11%	18,92%	27,03%	35,13%	7,97
Small Entities	11,44%	8,57%	20,00%	17,14%	25,71%	17,14%	7,77
Average	10,68%	2,91%	9,71%	21,36%	29,13%	26,21%	8,09

Table 5. Assessment of Timeliness of Accounting Information

The timeliness of delivering of accounting information is assessed by management with pondered average grade of 8.09. We are able to notice that the grade of timeliness of delivering of accounting information increases with the increase of the size of an entity. Here, also, the gap to the maximum grade shows that the management notices

that the timeliness could be improved with better organization of the accounting function.

3. *Assess the understandability and adequacy of the way the accounting information is presented?* The results are presented in Table 6.

Large Entities	Assessment of Understandability and Adequacy Presented on a Scale from 1 to 10						Pondered Average Grade
	from 1 do 5	6	7	8	9	10	
Large Entities	6,45%	0,00%	3,23%	29,03%	25,81%	35,48%	8,64
Medium Entities	8,11%	5,41%	10,81%	24,32%	29,73%	21,62%	7,86
Small Entities	28,57%	2,86%	2,86%	22,86%	25,71%	17,14%	7,71
Average	14,57%	2,91%	5,83%	25,24%	27,18%	24,27%	8,07

Table 6. *Assessment of Understandability and Adequacy of the Way Accounting Information is presented*

The pondered average grade of the understandability of the accounting information and the adequacy of the form in which it is presented to the management is 8.07. These show that there are many reserves in the aspect of understandability of information by the user of the information, and the way it is adapted to their needs. The understandability depends also on the knowledge that the user possesses in the aspect of what can be gained from the accounting information system.

4. *Assess the level of aggregation of accounting information?* The results are presented in Table 7.

The scale in the table above ranges from 1 to 10, where 1 shows information that is too aggregated and 10 shows detailed information. The pondered average grade shows that the information is too aggregated, and this fact is surely related to insufficient use of accounting information in the process of planning and decision making.

Analyzing management assessment regarding the quality of accounting information that is created by accounting information system of manufacturing companies, we can conclude the following:

- About 85% of the surveyed assesses the correctness of information with grades greater than average. Therefore, about 15% of the surveyed has doubts that the information is not correct enough, even though this information comes from the accounting system where most of its documentation „should“ be collected according to legal regulations and professional standards;
- About 90% of the surveyed assesses the timeliness of the delivery of information with the grade greater than average. Therefore, about 10% assesses the timeliness with grades lower than average;
- About 85% of the surveyed assesses the understandability with grades greater than average, while about 15% thinks that understandability, and

Entity Size	Assessment of the Level of Aggregation Presented on a Scale from 1 to 10										Pondered Average Grade
	1	2	3	4	5	6	7	8	9	10	
Large Entities	6,4%	16,1%	35,4%	12,9%	0,0%	12,9%	0,0%	6,4%	3,2%	6,4%	5,7
Medium Entities	8,1%	10,8%	24,3%	16,2%	2,7%	21,6%	8,1%	5,4%	0,0%	2,7%	6,6
Small Entities	5,7%	11,4%	17,1%	14,3%	0,0%	34,3%	8,6%	2,9%	0,0%	5,7%	6,1
Average	6,8%	12,6%	25,2%	14,6%	1,0%	23,3%	5,8%	4,8%	1,0%	4,8%	6,2

Table 7. *Assessment of the Level of Aggregation of Accounting Information*

the way that the accounting information is presented to the management is unsatisfactory; and,

- About 60% of the surveyed thinks that the accounting information is too aggregated.

- The accounting information that is mostly used is the aggregated financial accounting information that is available to the external users.

The further analysis of the accounting information will show if objective management satisfaction is presented. Therefore, the next step leads us to definition of the status of the accounting information system in the scope of management information

system for the researched companies (Goal no. 3). In this part, some of the questions are the following:

1. *Is the accounting information system the basis for the management information system?* The results are presented in Table 8.

AIS IS THE BASIS FOR MIS?	ENTITIES			Average
	Large	Medium	Small	
YES	90,32%	64,86%	68,57%	73,78%
NO	9,68 %	35,14%	31,43%	26,22%
Total:	100,00%	100,00%	100,00%	100,00%

Table 8. The Relationship between the AIS and the MIS

Of the 103 entities surveyed, 76 or 73.78% believes that AIS is the basis of the total management information system in a company. That means that management of the manufacturing companies is aware of the significance of the accounting information, and is dependent on them in the process of managing operating performances. It is important to notice that the percentage is significantly higher as the entity is larger.

From the above table, it could be seen that about 26% of the surveyed that noted that their accounting system has no foundational role in the management information system, even though, for the management purposes, accounting information is used by over 50% of the total information used. This means that the earlier results need to be corrected, and the percentage needs to be increased in Table 8.

2. *What is the participation of accounting information within the scope of total information in the process of decision making (for surveyed who answered that AIS is not basis for MIS in their companies)?* The results are presented in Table 9.

Having in mind this assessment of the accounting information significance, further research needs to involve the relationship of management to the organization of the accounting function (Goal no. 4). Some of the questions in this survey are as follows:

Participation of Accounting Information	Entities			Average
	Large	Medium	Small	
0-10%	0,00%	2,70%	5,71%	2,91%
10-20%	3,23%	5,41%	0,00%	2,91%
20-30%	3,23%	2,70%	5,71%	3,88%
30-40%	3,23%	2,70%	8,57%	4,85%
40-50%	3,23%	10,81%	11,43%	8,74%
50-60%	3,23%	8,11%	14,29%	8,75%
60-70%	16,13%	13,51%	11,43%	13,59%
70-80%	22,57%	21,63%	17,14%	20,39%
80-90%	32,25%	13,51%	14,29%	19,42%
90-100%	12,90%	18,92%	11,43%	14,56%
Total	100,00%	100,00%	100,00%	100,00%

Table 9. Participation of Accounting Information in the Scope of Total Information in the Process of Decision Making

1. *Does the organization of the accounting function affect the way the entity operates?* The results are presented in Table 10.

of the accounting function affects management of an entity. Therefore, the results show that the management is mostly aware of the significance of the accounting function in the aspect of managing an entity.

The above results show that over 87% of the surveyed (90 out of 103) believe that the organization

Accounting Organization Affects Management?	Entity			Average
	Large	Medium	Small	
YES	87,10%	86,49%	88,57%	87,38%
NO	12,90%	13,51%	11,43%	12,62%
Total:	100,00%	100,00%	100,00%	100,00%

Table 10. Relationship between Accounting Organization and Management

2. Does the organization of the accounting function affect entity competition? The results are presented in Table 11.

The results above show that the management believes that there is a relationship between the organization of the accounting function and company competition. Only 2.91% believe that there is no correlation between these two factors, while 12.62% of the surveyed believe that codependence exists but its intensity is small. If the managers are aware of

this correlation, it is completely logical to research how these factors affect the development of the organization of the accounting function, especially in the area where the information is created for management. The questions are the following:

3. Do you possess a management accounting subsystem within the AIS in your company? The results are presented in Table 12.

Organization of the Accounting Function on Competition	Entities			Average
	Large	Medium	Small	
YES, large significance	90,32%	89,19%	74,29%	84,47%
YES, small significance	6,45%	10,81%	20,00%	12,62%
No effect	3,23%	0,00%	5,71%	2,91%
Total:	100,00%	100,00%	100,00%	100,00%

Table 11. Affect of the Organization of the Accounting Function on Entity Competition

Entity Size	Subsystem is developed?		
	YES	NO	It is Developed at a Low Level
Large	54,84%	25,81%	19,35%
Medium	32,43%	29,73%	37,84%
Small	40,00%	34,29%	25,71%
Average	41,74%	30,10%	28,16%

Table 12. Development of Management Accounting Subsystem within the AIS

The research results show that 41.74% of the surveyed state that they have developed management accounting. The remaining 59% state that their management accounting is not developed or at a low level of development. If that is so, than it is logical to conclude that the management mostly has poor, untimely and/or inadequate information.

3.1. Assess the level of development of the management accounting subsystem? (For surveyed who stated to have a developed management accounting subsystem) The results are shown in Table 13.

Entity Size	Assessment of Development Level of the management Accounting Subsystem is Presented on a Scale from 1 to 10						Pondered Average Grade
	from 1 to 5	6	7	8	9	10	
Large	5,9%	5,9%	17,6%	29,4%	23,5%	17,6%	8,1
Medium	16,7%	8,3%	16,7%	16,7%	25,0%	16,7%	7,7
Small	7,1%	7,1%	14,3%	35,7%	35,7%	0,0%	7,8
Average	9,3%	7,0%	16,3%	27,9%	27,9%	11,6%	7,9

Table 13. Assessment of Development Levels of the Management Accounting Subsystem – for surveyed who stated to have a developed management accounting subsystem

The surveyed who stated to have a developed management accounting subsystem of the accounting function (41.74 %), have assessed the level of its development with pondered average grade of 7.88. That is an above average grade so the further assessment is needed in order to conclude if the

surveyed have enough knowledge about modern developments in the area of accounting information.

3.2. Assess the level of development of the management accounting subsystem? (For surveyed who stated to have a developed management accounting subsystem at a low level) The results are shown in Table 14.

Entity Size	Assessment of Development Level of the management Accounting Subsystem is Presented on a Scale from 1 to 10						Pondered Average Grade
	1	2	3	4	5	from 6 to 10	
Large	28,6%	14,3%	14,3%	28,6%	7,1%	7,1%	2,9
Medium	16,0%	8,0%	24,0%	20,0%	28,0%	4,0%	3,5
Small	28,6%	19,0%	4,8%	14,3%	9,5%	23,8%	3,4
Average	23,3%	13,3%	15,0%	20,0%	16,7%	11,7%	3,3

Table 14. Of Development Levels of the Management Accounting Subsystem – for surveyed who stated to have a developed management accounting subsystem at a low level

The research results for about 28% of the surveyed who stated that their subsystem is underdeveloped show that those assess the level with the average grade of 3,27, which is relatively low. If the subsystem is not developed for most part, that the information system relies on the information from the financial accounting. The amount of information used in these instances depends on the possibilities brought on by the software support in the accounting department.

Following are the questions whose answers show the quality of software support on operations, how much management invests in such software, and if this software is adapted to certain needs of a company so that it can contribute to decision making and performance management.

1. Is the information system within a company supported by adequate software only in a sense of an accounting/bookkeeping program? The results are presented in Table 15.

Entities	Software Support for Accounting Function Only		
	YES	NO	Total
Large	41,94%	58,06%	100,00%
Medium	35,14%	64,86%	100,00%
Small	60,00%	40,00%	100,00%
Average	45,63%	54,37%	100,00%

Table 15. Software Support of the Management Information System

The results show that 45.63% of the surveyed have software support but for accounting function only, which shows low level of operations automation.

5. Was the software purchased or developed? The results are presented in Table 16.

Accounting Software	Entities			Average
	Large	Medium	Small	
Standard Software Package Purchased	45,16%	48,65%	60,00%	51,46%
Software Developed According to Needs	54,84%	51,35%	40,00%	48,54%
Total	100,00%	100,00%	100,00%	100,00%

Table 16. Software Purchase or Development

According to the above results, more than 51% of the surveyed use one of the standard software packages that they have purchased. These packages enable bookkeeping and creating statements for external users. Therefore, they are not adapted to provide detail, concrete, and adequate information for a concrete user. As such, they are not of great

significance for decision making process. From this observation we can ask the following question:

6. *What is the level of harmonization of accounting software to the specific needs of an entity?* The results are presented in Table 17.

Entities	Assessment of Harmonization of an Accounting Software With Entity Needs Presented on a Scale from 1 to 10						Pondered Average Grade
	From 1 to 5	6	7	8	9	10	
Large Entities	16,1%	0,0%	12,9%	19,3%	22,6%	29,0%	8,2
Medium Entities	10,8%	10,8%	8,1%	21,6%	18,9%	29,7%	8,0
Small Entities	22,9%	11,4%	11,4%	25,7%	17,1%	11,4%	7,3
Average	16,5%	7,8%	10,7%	22,3%	19,4%	23,3%	7,8

Table 17. Assessment of Harmonization of Accounting Software to the Specific Needs of an Entity

The assessment of accounting software harmonization to the entity needs is above average for over 80% of the surveyed. If we acknowledge that only 48% stated that the software is developed according to their needs, then we can conclude that a large number of the surveyed is satisfied with the information that the financial accounting is providing.

If the level of satisfaction is high while the management accounting subsystem is not, or is underdeveloped, then software packages are usually

bought for general purposes, and the logical question would be if the management is aware of the possibilities of gaining information from the modernly organized account? This takes us to our Goal no. 5, that is, research on the management level of knowledge regarding modern role of accounting [8]. Some of the questions asked are as follows:

1. *What relevant economic categories could you get information on from accounting?* The research results of the most significant economic categories are presented in Table 18.

Accounting Function Efficiently Follows	Entities			Average
	Large	Medium	Small	
Costing price (buying value) of the delivered products (goods and services)	100,00%	83,78%	82,86%	88,35%
Transportation costs and other direct costs of delivery	38,71%	51,35%	51,43%	47,57%
Marketing costs	16,13%	16,22%	8,57%	13,59%
Maintenance costs of customers' bought goods	6,45%	10,81%	5,71%	7,77%
Costs of unused capacity by customers	0,00%	0,00%	0,00%	0,00%
Costs of inventory storage for the customer needs	9,68%	5,41%	5,71%	6,80%

Table 18. Economic Categories which Gain Information from Accounting

From the above table we can see that companies are provided information exclusively gotten from financial accounting, organized for the purpose of informing external users and in accordance with standards and legal regulation. From that, most of

those companies are informed about costing price that are limited to regulations that are limited to the quantitative and qualitative component. For other categories that are relevant to cost management, the percentages are significantly low. For some other

more sophisticated instruments of cost management [1], such as the costs of unused capacity, the percentage is equal to zero. This makes us ask the following question:

2. Do you use any of the accounting innovations that are used in the area of realization of management accounting issues, and if yes, which? The research results are presented in Table 19.

Accounting innovations used in the scope of management accounting function	Entities			Average
	Large	Medium	Small	
Integral approach to quality management (TQM)	41,9%	8,1%	11,4%	19,4%
Activity cost calculation (ABC)	12,9%	8,1%	2,9%	7,8%
Time unit cost calculation, and cost allocation according to execution of certain activities (TDABC)	3,2%	5,4%	2,9%	3,9%
Targeted cost management (TC)	22,6%	8,1%	5,7%	11,6%
Customer relations management (CRM)	16,1%	2,7%	2,9%	6,8%
Budgeting	22,6%	13,5%	5,7%	13,6%
Budget deviation analysis	22,6%	13,5%	5,7%	13,6%
Product (goods) profitability analysis	32,3%	16,2%	22,9%	23,3%
Service profitability analysis	12,9%	8,1%	8,6%	9,7%
Distribution channel profitability analysis	6,4%	5,4%	0,0%	3,9%
Customer profitability analysis	25,8%	10,8%	11,4%	15,5%
Value chain management	3,2%	0,0%	0,0%	1,0%

Table 19. Accounting Innovation Used by a Company

Presented results show us that the surveyed have been informed of modern possibilities of accounting organization, but they do not have thorough knowledge of them in order to use them. Therefore, for some categories we can notice high percentages, for example, TQM (41.94%), TC (22.58%), Customer profitability analysis (25.81%).etc., within the large entities, these represent what the management wants to incorporate instead of the real status of the company. For small and medium entities, product profitability analysis is mostly represented, while other categories are much less represented.

In order to be sure that we are on a right track, we have to get answers to the following questions, and they will take us to the realization of Goal no. 6, that is, defining characteristics of performance management for the researched companies, and adequacy of the accounting information that is used for these purposes [9]. Some of the questions are following:

1. How an entity manages its profitability? The results are presented in Table 20.

Entity manages profitability:	Entities			Average
	Large	Medium	Small	
By products (goods and services)	96,77%	81,08%	82,86%	86,41%
By customers	3,23%	8,11%	2,86%	4,85%
By individual segments of the value chain	0,00%	10,81%	14,29%	8,74%

Table 20. Way to Manage Profitability

The presented results show that the indicators given in Table 19. are even lower and more inadequate. Product profitability management dominates which shows the more traditional approach. Therefore, the fact remains that the surveyed are stating what they want to incorporate in their management but that does not reflect the real status. The real approach to total quality management, Target Costing, ABC, etc., is either not present or there are some starting steps made towards

systematic construction of the accounting management information system. The answers to lower level responsibility questions regarding using accounting information for the purpose of managing performances are much less favorable.

2. What is the cost systematization like in accounting documentation and statements? The results are presented in Table 21.

Cost system recognizes structure and amounts of the following types of costs	Entity			Average
	Large	Medium	Small	
Natural type costs	100,00%	83,78%	85,71%	89,32%
Marginal costs	19,35%	21,62%	14,29%	18,45%
Opportunity costs	3,23%	10,81%	2,86%	5,83%
Transaction costs	32,26%	21,62%	11,43%	21,36%
Competition costs	3,23%	2,70%	17,14%	7,77%
Sunk costs	3,23%	2,70%	2,86%	2,91%
Differential costs	6,45%	2,70%	5,71%	4,85%
Discretionary costs	3,23%	5,41%	0,00%	2,91%
Average production unit costs	67,74%	70,27%	65,71%	67,96%
Service costs by customers	16,13%	18,92%	22,86%	19,42%

Table 21. Cost Systematization in Accounting Documentation and Statements

The results gotten in this research give a clear picture that the whole cost system lies in the function of finishing accounting statements, that are made available to external users. Possibilities that this cost system to create information needed by management decision making [7] are very limited and poor.

3. *On what organizational units are the costs allocated?* The results are presented in Table 22.

Table 22. also proves previous conclusion that the costs are controlled mainly by products due to standards and legal regulations, not for the needs of the organization of modern cost management [11]. This proves that the earlier statements about application of modern cost calculation methods, such as "ABC" relate to very small and very poor, almost primitive, attempts.

4. Identification of the Dysfunctional Areas and Causes of the Inadequate Treatment of the Accounting Information

What are the undeveloped areas in the accounting organization that need developing or redesigning? Considering the above survey, personal experiences, and application of the observational method within realization of this goal (Goal 7.), we have concluded that the following needs developing:

- Subsystem of the management accounting. This research shows a low level of development of this subsystem and accounting function organization being subject to creating accounting statements in accordance to legal regulations and professional standards;
- Concept and cost calculation model that would be modern and adequate for transitional economies;
- Organizational model for general ledgers and analytical documentation as part of the support function to the development of cost management;
- Strategic aspect of accounting;
- List of accounting indicators that indicate the successfulness of issue execution in the areas of decision making, purposes for using, and reporting dynamics;

Cost allocation	Entities			Average
	Large	Medium	Small	
By departments	54,84%	24,32%	5,71%	27,18%
By activities	6,45%	13,51%	8,57%	9,71%
By processes	9,68%	13,51%	14,29%	12,62%
By certain workplaces	0,00%	8,11%	0,00%	2,91%
By products	100,00%	100,00%	100,00%	100,00%
By services	16,13%	29,73%	20,00%	22,33%
By customers	6,45%	13,51%	17,14%	12,62%

Table 22. Cost Allocation

- Continued education for accountants and managers regarding modern knowledge and possibilities that accounting has to offer in a role of a science and modern practice;
- Clear organizational segmentation of the accounting function from the financial function, and other functions;
- Marketing aspect of accounting communications with users of accounting information;
- Primary basing of the accounting function organization on the needs of profitability goal achievement and maintenance [2]. For transitional economies, such as our economy, that is the priority goal to pull the entities out of troubles of inherited inefficiency. The current practice shows, on the other hand, that accounting organizations is based on liquidity maintenance, because of the large debts entities are usually facing. Therefore, most energy is spent on activities to gather as much information on liquidity in order to maintain it. Profitability is virtually „lost“, just like it is something that will come naturally and on its own;
- Model of accounting planning adapted to the transitional economies. It has to provide enough flexibility for changes throughout operation circumstances, and it has to segregate effects of inherited inefficiency from the expected current decisions [5];
- Model of accounting analysis adapted to transitional economies. The analysis has to be separated from the simple ratio analysis of the periodic calculations, etc., and it has to develop parameters that monitor „already existing mishaps“ into the entity vales and its potential to compete;
- Accounting control model that would ensure enough independence in order to create objective information about status and success of the entity operations.

All of these areas have to go through changes in order for them to improve their using of the accounting information, and with that, improve their decision making process and performance management within an entity. Nevertheless, in order to incorporate these positive changes, it is not enough to only evaluate the current position and status. It is necessary to incorporate cause of such position into the analysis.

What are the causes of the inadequate organization of execution of the accounting function organization? Considering the current practice, we have identified the following causes:

- Inadequate knowledge about possibilities of creation of useful accounting information according

to needs on different levels of decision making, by managers or users, or by others who execute accounting function tasks;

- Management fear of the transitional ambience and needs to keep all processes and activities under control by the highest level of management;
- Shallow direction to basic accounting statements, even though they are usually very poor basis for any conclusions about real value of the entity or its operations;
- Accounting, for most part, comes down to bookkeeping only to provide required accounting statements to ensure that all the legal regulations are met. The entity owners are led by a philosophy that the real position needs to be covered from the eyes of the ones who use those statements, and investing into a greater scope and quality of the accounting information is not seen as useful;
- Education system provides individual with a low skill level and inadequate knowledge. This means that the educational system in the transitional ambience is not immune to double devaluation: from one aspect, we gain professors who are only formally educated in order to get their status, and from the other aspect, we gain students who are longing to get a degree, but are not longing to get the required useful knowledge. In reality, we get a notion that you can only get a good employment if you have a formal degree. University curricula is full of quantitative courses (various statistics, quantitative methods, etc.), that are only used for the sake of being taught [6]. In the economy that longs for qualitative research and development, so called „quantity guys“ are being pushed as the only ones with real useful knowledge, turning quantities tools to the „only science that is used for its own purposes“. Using survey data, many theses are completed, and then we get many master degrees as well doctorates literally over night;
- Back in the day, practice used to give good experience, which gave may great managers regardless of the formal education. Unfortunately, this type of education is lost as well. Old professors got used to their privileged status in the public companies where their mistakes get reimbursed through public funding. In the new circumstances, they keep their inherited habits and they are far from owning and being responsible for their actions. This leads us into a situation where nothing gets taken care of and the excuses that are always given are the poor economic position of our country. Some people would see that as a challenge to make certain successful business moves, and for our managers, it becomes an excuse for mishaps increasing entropy (not stagnation).

5. Conclusion

In the end, we can conclude that our research results have proved our initial hypothesis, that the role of accounting information in decision making process of the sampled entities is small. Indirect cause of that is the low level of development and inadequate adaptation to accounting function organization to the needs of performance management, and that results in the entity position described in the later part of this paper.

Besides that, the current position is also the result of specifics in managing current transitional economy. That is, poor economic situation and the burden of inherited inefficiency dictates that the highest level of management has to indirectly manage all operation flows, including the lowest tasks. From that, the higher level of management does not transfer authority to lower levels, but it actually concentrates all power on them. It would be normal to have the operative management directly responsible to control everyday operations, middle management directly responsible for short term planning and activity coordination that are necessary for goal attainment, and top management responsible for long term planning and goal recognition [3].

The consequences to this accounting position are seen in a fact that the accounting system is mostly focused on the highest level of decision making, which should be only for strategic development of a company. This level of management has adopted the authority of the tactical level and it actively direct lower flows of operations through narrower organizational units. This has made tactical managers to go lower into the operational level management which made the operational managers the most responsible for all the tasks. This approach has shifted the informational flows. Accounting information that has been aggregated for the strategic management needs [4, 12] remained the most dominant basis for decision making. Lowering to the tactical level, strategic managers have not pulled all the adequate information they needed. In order to make decision, they are still relying on aggregated financial accounting information. The reason for this could be either lack of knowledge or the fact that they transferred their responsibility to others, that is, managers responsible for the tactical level even though their authority has been taken from them. Same thing happened to the managers of the tactical level – they kept the information relevant for their level (which is very poor due to the traditional accounting organization), and they did not take over information for the operative level of management. Again, this has been caused by either lack of

knowledge or the fact that by taking authority they did not take the responsibility for the tactical level tasks. This causes a huge mishap in information system organization – mass inadequacy of information needed on all levels of decision making!

This research proves also that the usage of accounting information for the purpose of decision making in a transitional economy has its characteristic, regardless of inadequacies that were mentioned above. We came to this conclusion through experience, along with observation method, and in part by analyzing answers that we have received through our survey. Some of the more significant characteristics of the accounting information in a transitional economy should be the following:

- Accounting information have to satisfy the needs of performance management and at the same time, have to be created in such form that enables operational processes management;
- Accounting information have to clearly separate the effects of current decisions of the current management team from the effects that are inherited as a result of previous decisions;
- Accounting information have to be based on value flows [10] within a company with clear indicators where value is gained and in what amount, not on calculation principles that only satisfy standards by which external users are informed;
- Accounting information have to clearly indicate all the inefficiencies that are embodied in the available structure of assets and sources, as well as the possibilities that those, with the current level of profitability taken care of, and they have to project the deadlines that would reflect realistic situation. In case that current performance does not give the possibility to cover inefficiency, clear guidelines have to be provided to improve the efficiency of the company.

All that was presented above also represents the areas that should be worked on and on which further research could be done.

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