

RESPONSIBILITY ACCOUNTING AND MANAGERIAL PERFORMANCE EVALUATION: A QUALITATIVE STUDY OF A FOOD AND BEVERAGE ENTERPRISE

Fadilah Khoirunnisa^{1*}, Reza Sukma Dara Yuniar², Jihan Salma Auliya' Desna³

*Corresponding author; Email: fadilahkhoirunnisa08@gmail.com

^{1,2,3}Universitas Tulungagung, Indonesia

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Abstract

Responsibility accounting has become an essential management control tool for evaluating managerial performance by assigning accountability for controllable costs. However, its implementation in many small and medium-sized enterprises (SMEs), particularly in evaluating cost responsibility centers, remains limited. This study aims to examine the implementation of responsibility accounting as a managerial tool for evaluating the performance of the cost responsibility center at DMR Pull Tea Shop, a food and beverage enterprise. A qualitative research approach was employed using semi-structured interviews as the primary data collection method, supported by an analysis of the company's accountability reports. The collected data were analyzed descriptively to identify patterns related to budgeting practices, cost control, and managerial performance evaluation. The findings indicate that DMR Pull Tea Shop has implemented the fundamental principles of responsibility accounting through systematic accountability reporting and comprehensive documentation of operational expenditures. These practices enable management to monitor controllable costs, verify financial transactions, evaluate operational efficiency, and support informed managerial decision-making. Although the existing responsibility accounting system has not yet incorporated formal budget variance analysis or comprehensive performance indicators, it provides a practical foundation for strengthening managerial accountability and evaluating cost center performance. This study contributes to the management accounting literature by demonstrating how responsibility accounting can be effectively implemented in SMEs as a management control mechanism. Practically, the findings offer insights for SME managers seeking to improve financial accountability, operational efficiency, and performance evaluation through structured responsibility accounting practices.

Keywords: Cost Center, Managerial Performance Evaluation, Responsibility Accounting, Responsibility Accounting System, Small And Medium-Sized Enterprises.



By Authors

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INTRODUCTION

Business organizations consist of groups of individuals who collaborate to achieve common organizational objectives. To ensure effective coordination and control, organizations require an appropriate organizational structure that clearly defines the delegation of authority and responsibility. A well-designed organizational structure facilitates the implementation of accountability by assigning specific duties and authority to each organizational unit. Following the delegation of authority and responsibility, managers are obligated to report the outcomes of their assigned responsibilities to higher management through accountability reports prepared by each responsibility center.

The preparation of accountability reports by each responsibility center is an essential component of responsibility accounting and serves as a prerequisite for evaluating organizational performance. These reports enable management to assess the performance of each responsibility center manager by comparing budgeted targets with actual results. Such evaluations provide a basis for determining whether managers have fulfilled the responsibilities assigned to them by the organization's owners. Consequently, accountability reports function not only as a performance measurement tool but also as an instrument for managerial control and decision-making (Widhajati & Susilo, 2023).

Responsibility accounting is defined as "a system that measures the various outcomes achieved by each responsibility center according to the information required by managers to operate their respective responsibility centers" (Anis et al., 2022). Through this system, managers are provided with relevant information that supports planning, controlling, and evaluating operational activities. Furthermore, responsibility accounting enables managers to identify controllable and uncontrollable costs, thereby enhancing managerial accountability and improving organizational control.

The implementation of clearly defined performance criteria encourages employees and managers to improve their work performance and achieve organizational objectives more effectively. In this regard, responsibility accounting provides the foundation for developing a comprehensive managerial performance evaluation system. Beyond measuring financial performance, responsibility accounting also supports organizational control by integrating performance evaluation into every stage of business operations, from small business entities to large-scale organizations. Consequently, responsibility accounting has become an important management control mechanism for improving organizational effectiveness and efficiency.

To enhance productivity, every business organization should adopt appropriate performance efficiency measures (Anwar et al., 2022). One of the most widely used management tools for evaluating efficiency is budgeting. Budgets play a strategic role because they represent the financial manifestation of organizational planning. By analyzing budget performance, management can compare planned expenditures with actual expenditures, identify performance deviations, and estimate future resource requirements. Assuming that budget assumptions reasonably reflect future business conditions, an effective budgeting system enables management to maintain financial

discipline while supporting the achievement of organizational objectives. Therefore, accurate and efficient budgeting contributes significantly to effective managerial decision-making and organizational performance.

Despite the recognized importance of responsibility accounting, its implementation in many small and medium-sized enterprises remains limited, particularly in evaluating the performance of cost responsibility centers. This gap highlights the need to examine how responsibility accounting can be applied in practice to support managerial performance evaluation. Accordingly, this study addresses the following research question: How can DMR Pull Tea Shop evaluate the performance of its cost center through the implementation of responsibility accounting?

Based on the research background and problem formulation, this study aims to examine and evaluate the implementation of the responsibility accounting system at DMR Pull Tea Shop as a managerial tool for evaluating the performance of its cost responsibility center.

LITERATURE REVIEW

Responsibility Accounting System

The accounting system serves as the foundation for producing financial information that supports organizational planning, control, and decision-making. Through accounting procedures, organizations generate financial statements, including the statement of financial position (balance sheet), statement of business results (income statement), and statement of changes in financial condition (Minarni, 2019). These financial reports provide essential information for assessing an organization's financial performance and evaluating the effectiveness of managerial activities. Consequently, financial reporting functions not only as a means of external reporting but also as an internal management control tool.

Within the framework of management accounting, the preparation of accountability reports by each responsibility center is a fundamental requirement for implementing responsibility accounting effectively (Sambas et al., 2022). These reports provide managers with relevant information regarding the financial performance of their respective responsibility centers and facilitate performance evaluation through comparisons between planned and actual outcomes.

Responsibility accounting is an accounting concept and management control system that links organizational units with clearly defined managerial responsibilities. The system evaluates the effectiveness of planning and operational activities undertaken by each responsibility center while providing feedback for future planning and decision-making. Responsibility accounting is closely integrated with the organizational structure because decision-making authority is delegated to managers who are responsible for achieving predetermined performance targets. Accordingly, the system enables organizations to control operational costs by assigning accountability to managers who possess the authority to influence those costs. The more clearly authority and

responsibility are defined, the more effective responsibility accounting becomes as a mechanism for monitoring organizational performance across different operational units.

Responsibility Accounting

Responsibility accounting is a managerial accounting system through which managers of responsibility centers collect, classify, and report information relating only to revenues and costs that are within their control. The primary objective of this system is to facilitate operational control while simultaneously evaluating managerial performance. By focusing on controllable elements, responsibility accounting promotes fairness in performance evaluation because managers are held accountable only for factors that they can influence directly.

In addition to providing accounting information for managerial decision-making, responsibility accounting reports serve as an important motivational instrument. Performance reports enable managers to monitor operational achievements, identify deviations from established targets, and implement corrective actions where necessary. Consequently, responsibility accounting strengthens organizational accountability while encouraging managers to improve efficiency and effectiveness in managing organizational resources.

Cost Center

A cost center is one of the most common forms of responsibility center within an organization. Managers assigned to cost centers are responsible for controlling operating costs and are granted authority to make decisions affecting expenditures under their supervision. Since organizational costs can generally be traced to specific departments or activities, cost centers provide an effective mechanism for assigning managerial accountability.

The responsibilities of cost center managers are expected to be carried out within the limits established by approved budgets or predetermined cost standards. Performance is evaluated by comparing actual costs with budgeted or standard costs. When significant cost variances occur, management should investigate whether the deviations result from factors beyond managerial control or whether existing cost standards require revision.

Unlike investment or profit center managers, cost center managers do not have authority over sales generation or investment in fixed assets. Instead, their performance is primarily evaluated based on operational efficiency and service quality. Cost center managers are expected to maximize organizational output while utilizing available resources efficiently and minimizing unnecessary expenditures. Therefore, effective cost center management contributes directly to organizational cost control and operational excellence.

Budget

Budgeting represents one of the most important components of the management control system because it translates organizational objectives into measurable financial plans. Budgets provide quantitative benchmarks that guide managers in allocating organizational resources efficiently and achieving predetermined performance targets.

Without an effective budgeting system, organizations may operate without clear direction and risk inefficient utilization of available resources.

Budgets and responsibility accounting are closely interconnected. During the planning stage, budgets establish organizational objectives and coordinate the activities of different responsibility centers. During the control stage, responsibility accounting generates performance reports that compare actual results with budgeted expectations. This comparison enables management to identify performance variances, analyze their underlying causes, and implement corrective actions where necessary.

Budget variance analysis also serves as an important feedback mechanism for future planning. Information generated from accountability reports assists management in evaluating managerial performance and improving future budgeting decisions. Consequently, budgets function as strategic planning instruments, whereas responsibility accounting reports serve as communication and control mechanisms that reinforce managerial accountability. Through this integrated process, managers become more aware of their responsibilities in achieving organizational objectives and are encouraged to maintain performance consistent with approved budgets.

Performance Evaluation: Objectives and Benefits

Performance evaluation is an essential component of organizational control because it measures the extent to which managers and employees achieve predetermined organizational objectives. According to Mulyadi (2007), the primary objective of performance evaluation is to encourage employees to accomplish organizational goals while complying with established behavioral standards. These standards may originate from management policies or formal organizational objectives reflected in the budgeting process.

Performance evaluation provides managers with systematic feedback regarding the effectiveness of organizational activities. Such feedback discourages inappropriate behavior, reinforces desirable work practices, and supports continuous organizational improvement. Through objective performance assessment, organizations are better able to align individual performance with strategic organizational goals.

According to Mulyadi (2007:416), performance evaluation provides several important benefits for management, including:

1. Increasing employee motivation to manage organizational operations effectively and efficiently.
2. Supporting managerial decision-making related to human resource management, including promotion, transfer, and termination decisions.
3. Providing a basis for selecting and evaluating employee training and development programs.
4. Communicating management's assessment of employees' performance.
5. Establishing objective criteria for determining employee rewards and recognition.

Overall, an effective performance evaluation system strengthens managerial accountability, improves organizational efficiency, and supports continuous organizational development by ensuring that individual performance aligns with organizational objectives.

RESEARCH METHOD

This study employed a qualitative research approach, with interviews serving as the primary data collection method. A qualitative approach was selected because it enables an in-depth exploration of the implementation of the responsibility accounting system and its role in evaluating the performance of the cost responsibility center at DMR Pull Tea Shop. Primary data were collected through semi-structured interviews with individuals directly involved in managerial and financial activities within the organization. This approach allowed the researcher to obtain comprehensive information regarding budgeting practices, responsibility accounting implementation, cost control mechanisms, and managerial performance evaluation. The interview data were analyzed descriptively to identify recurring themes and patterns relevant to the research objectives, thereby providing a comprehensive understanding of how responsibility accounting supports cost center performance evaluation.

RESULTS AND DISCUSSION

To examine the implementation of responsibility accounting at DMR Pull Tea Shop, the researcher analyzed the accountability report prepared by the business. The accountability report provides detailed information regarding operational expenditures incurred during business activities and serves as an essential management control document for monitoring cost allocation and supporting managerial accountability. Through this report, management is able to document expenditures systematically, verify supporting evidence for each transaction, and evaluate the utilization of financial resources.

The accountability report consists of detailed records of operational expenses, including raw materials, beverages, food ingredients, packaging materials, and other supporting supplies required for daily business operations. Each expenditure is recorded according to the item name, quantity, unit price, total cost, and supporting evidence, thereby enhancing transparency and facilitating financial monitoring. Such documentation also enables management to identify controllable costs and compare actual expenditures with planned operational budgets.

The findings indicate that DMR Pull Tea Shop has implemented a structured expenditure recording system through its accountability reports. This practice demonstrates the organization's commitment to maintaining financial accountability by ensuring that every operational transaction is supported by adequate documentation. Furthermore, the accountability report provides management with reliable financial

information that can be used to evaluate operational efficiency, monitor budget realization, and support managerial decision-making related to cost control.

Table 1. Responsibility Report of DMR Pull Tea Shop

No.	Expense Item	Unit	Price	Total Cost	Supporting Evidence
1	Tofu			Rp. 20,000	
2	Chicken	5 kg		Rp. 140,000	
3	Noodles			Rp. 39,000	
4	Ice Cubes			Rp. 30,000	
5	White Bread			Rp. 108,000	
6	Fruits	½ kg		Rp. 48,000	
7	Vegetables			Rp. 84,000	
8	Eggs			Rp. 23,000	
9	Lemongrass and Ginger			Rp. 12,000	
10	Rice	60 kg	Rp. 51,000	Rp. 612,000	
11	Lychee Syrup	2 cartons		Rp. 332,000	
12	Strawberry Syrup	2 cartons		Rp. 548,000	
13	Mocha Syrup	2 cartons		Rp. 548,000	
14	Pandan Coconut Syrup	2 cartons		Rp. 300,000	
15	Orange Syrup	2 cartons		Rp. 1,040,000	
16	Lemon Syrup	2 cartons		Rp. 1,040,000	
17	Grape Syrup	2 cartons		Rp. 332,000	
18	Hazelnut Syrup	12 bottles		Rp. 1,026,000	
19	Brown Sugar Syrup	8 bottles		Rp. 444,000	
20	Mango Syrup	2 cartons		Rp. 1,040,000	
21	Omela Gold Sweetened Condensed Milk	15 cartons		Rp. 8,760,000	
22	Diamond UHT Milk			Rp. 1,950,000	
23	Mineral Water			Rp. 742,500	
24	Fanta			Rp. 495,000	
25	Sprite			Rp. 495,000	
26	Tea			Rp. 6,030,000	
27	Granulated Sugar			Rp. 830,000	
28	Liquid Sugar			Rp. 795,000	
29	Wedang Uwuh Herbal Drink			Rp. 337,000	
30	Chocolate, Green Tea, Red Velvet, Taro, and Cappuccino Powder			Rp. 7,020,000	
31	Whipping Cream			Rp. 225,000	
32	Cheese Cream			Rp. 225,000	
33	Steak Sugar			Rp. 135,000	
34	Nescafé Coffee			Rp. 661,500	
35	Jelly Kids			Rp. 31,200	
36	Strawberry Jam			Rp. 20,000	
37	Cups			Rp. 5,000,000	
38	Cooking Oil			Rp. 582,000	

No.	Expense Item	Unit	Price	Total Cost	Supporting Evidence
39	Asahi			Rp. 624,000	
40	Klin			Rp. 624,000	
41	Flour			Rp. 420,000	
42	Frozen Lychee			Rp. 776,000	
43	Milo			Rp. 661,000	
44	Good Day Coffee			Rp. 661,000	
45	Brontoseno			Rp. 310,000	
46	Salt			Rp. 120,000	
47	Butter			Rp. 300,000	
48	Indomie Instant Noodles			Rp. 3,465,000	

Source: Primary data.

In addition to documentary evidence, field observations were conducted through direct interviews with the business owner and personnel responsible for operational activities. These interviews provided further insights into the implementation of responsibility accounting practices, budgeting procedures, and cost control mechanisms within the organization. The interview process also confirmed that expenditure documentation constitutes an integral component of managerial accountability and performance evaluation at DMR Pull Tea Shop.

Figure 1. Documentation of the Interview Conducted at DMR Pull Tea Shop



Source: DMR Pull Tea Shop

Discussion

The findings indicate that DMR Pull Tea Shop has implemented several fundamental elements of responsibility accounting through the preparation of accountability reports that systematically record operational expenditures. As presented in Table 1, the business documents various categories of operating expenses, including raw materials, beverages, food ingredients, packaging materials, and supporting supplies.

Each transaction is accompanied by information regarding the quantity, unit price, total expenditure, and supporting documentation. This practice demonstrates that the business has established a basic financial recording system capable of supporting managerial accountability and cost monitoring.

The implementation of accountability reporting is consistent with the concept of responsibility accounting, which emphasizes assigning responsibility to managers for costs that are under their control. The expenditure records maintained by DMR Pull Tea Shop enable management to identify operational costs incurred during daily business activities and provide reliable financial information for evaluating cost center performance. In line with the responsibility accounting framework, managers are expected to be accountable only for controllable costs. Therefore, systematic expenditure documentation contributes to a fair and objective performance evaluation process because managerial performance is assessed based on factors that can be directly influenced.

The interview results further reveal that accountability reports are not prepared solely for administrative purposes but also function as managerial control instruments. The documentation of operational expenses allows management to monitor the utilization of financial resources, verify transaction evidence, and identify potential inefficiencies in business operations. Consequently, responsibility accounting facilitates more effective cost control by providing timely and relevant information for managerial decision-making.

Another important finding is that the accountability reports provide a foundation for evaluating budget realization. Although the study did not identify a formal budget variance analysis system, the recorded expenditure information enables management to compare actual operational costs with planned expenditures whenever budgeting is implemented. Such comparisons allow managers to detect cost deviations, investigate their underlying causes, and implement corrective actions to improve future operational performance. This finding supports the theoretical perspective that responsibility accounting and budgeting are complementary management control mechanisms, where budgets establish performance targets and accountability reports measure the extent to which those targets are achieved.

From the perspective of cost center management, DMR Pull Tea Shop has demonstrated the application of cost control through detailed expenditure recording. Since the majority of operational expenses consist of controllable costs, including food ingredients, beverages, packaging materials, and other production supplies, managers are able to evaluate operational efficiency based on the effective utilization of these resources. The availability of supporting evidence for every expenditure also enhances transparency and reduces the likelihood of recording errors or unauthorized spending, thereby strengthening internal control within the business.

The findings also suggest that responsibility accounting contributes to managerial performance evaluation by providing objective information regarding operational efficiency. Rather than relying solely on subjective managerial judgments, performance

can be assessed using documented financial information generated through accountability reports. This approach improves managerial accountability because each responsibility center can demonstrate how available resources have been utilized to achieve operational objectives. As a result, responsibility accounting not only functions as a financial reporting mechanism but also serves as an integral component of the organization's management control system.

Overall, this study answers the research question by demonstrating that DMR Pull Tea Shop evaluates the performance of its cost center through the implementation of responsibility accounting practices based on systematic expenditure documentation, accountability reporting, and cost monitoring. Although the responsibility accounting system is still relatively simple and has not yet incorporated comprehensive budget variance analysis or formal performance indicators, the existing practices have provided management with sufficient information to monitor controllable costs, evaluate operational efficiency, and support managerial decision-making. Therefore, the implementation of responsibility accounting at DMR Pull Tea Shop has contributed positively to strengthening managerial accountability and improving the evaluation of cost center performance.

CONCLUSION

This study examined the implementation of responsibility accounting as a managerial tool for evaluating the performance of the cost responsibility center at DMR Pull Tea Shop. The findings demonstrate that the business has implemented the fundamental principles of responsibility accounting through systematic accountability reporting and detailed documentation of operational expenditures. The accountability reports provide management with relevant financial information regarding controllable costs, enabling the monitoring of operational activities, verification of expenditure transactions, and evaluation of resource utilization.

The findings further indicate that responsibility accounting contributes to managerial performance evaluation by improving transparency, strengthening financial accountability, and supporting cost control. The availability of detailed expenditure records allows management to assess operational efficiency and make informed managerial decisions based on objective financial information. Although the current responsibility accounting system remains relatively simple and has not yet incorporated formal budget variance analysis or comprehensive performance indicators, it has provided a practical foundation for evaluating cost center performance and enhancing managerial accountability within the organization.

Overall, this study concludes that the implementation of responsibility accounting at DMR Pull Tea Shop has supported the evaluation of cost center performance by facilitating systematic cost monitoring, improving managerial control, and providing reliable financial information for decision-making. Therefore, responsibility accounting

can serve as an effective management control tool for small and medium-sized enterprises seeking to improve operational efficiency and organizational performance.

Suggestions for Future Research

Future studies are encouraged to extend this research by examining the implementation of responsibility accounting in different business sectors and larger organizational settings to improve the generalizability of the findings. Researchers may also employ quantitative or mixed-method approaches to investigate the relationship between responsibility accounting, budgeting effectiveness, managerial performance, and organizational performance using statistical analysis. Furthermore, future research could incorporate additional variables, such as internal control systems, management control systems, digital accounting technologies, and organizational culture, to provide a more comprehensive understanding of the factors influencing the effectiveness of responsibility accounting. Longitudinal studies are also recommended to evaluate how the implementation of responsibility accounting evolves over time and contributes to sustainable organizational performance.

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