



Production Costs for Some Businesses Are Transferred to Outsourcing in Fish Production Companies in Iraq

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ABSTRACT

Based on the crisis facing the world represented by food shortages, in this paper the problems facing fish processing companies are explained by searching for a stable competitive advantage in the economic market for fish production enterprises. Given the importance of accounting in the field of measurement, planning, control, performance evaluation and decision-making in all sectors of the national economy for fish processing enterprises, through the implementation of the main functions of accounting. The article aims at diagnosing the current accounting reality, analyzing it and evaluating its response to the requirements of development and modernization of fish production projects in terms of transferring individual work functions to external structures.

Through the methods dealt with such research and its achievement of various purposes, mainly represented in measurement of cost elements, in financial accounts of fish processing company's data when outsourcing is used according to accounting rules. According to the results obtained, the information obtained allows for a more accurate calculation of the effectiveness of the application of outsourcing services that comply with the standards of the Iraqi Financial Supervisory Board. From what has been obtained, a broad and general method can be developed that generally satisfies organizations.

Keywords: according, outsourcing, outsourcing center, operating costs, transaction costs.

JEL Classification: M41, M42, M20

Introduction

The issues of choosing accounting methods that correspond to the potential of fish processing enterprises are so important on the grounds that the fish processing enterprises, when defining a strategy, devoting all its resources and efforts to implement accounting methods. The strategy should include a comparison of cost and operating costs throughout the product life cycle (Imad, 2009; Amer, 2012). Outsourcing can be considered as an additional source of resources for the fish

processing enterprises capabilities, (Burn, 1998). Fish processing enterprises should use outsourcing, primarily in the area of high own costs. The determining factor in favor of outsourcing is cost saving (Lankford, and Parsa, 1999; Murray, 2002; Roller, 2013). One of the main goals of outsourcing is to save costs in satisfactory sizes (Nidal, 2012). Management accounting is effective when it reflects the activities of enterprises through a balanced system of responsibility centers (Zahra, and Muhammad, 2016). Cost Accounting System the information used for financial

accounting purposes and for administrative accounting purposes to take the various applied and specific decisions within the unified system accounting in Iraq faces many problems, in addition to not addressing aspects of outsourcing operations so this system must be improved (Nassif, and Hassanein, 2016).

The current accounting system in Iraq has a number of drawbacks about the problems of organizing management accounting; there is no clear mechanism for monitoring the use of outsourcing that is uniform in appearance in its economic nature and how accounting is organized for this purpose (Alkarawy, 2016). Cost accounting within the framework of the unified accounting system at this stage is not feasible to perform its functions in the areas of cost measurement for outsourcing and rational decision-making in production units (Sabah, 2015). Therefore, in order to provide the accounting information that meets the needs of the departments of the institutions in the accounting framework, it requires updating and improving accounting, and focusing mainly is on the cost accounting aspect in it, so that it meets the efficiency of financial, accounting and administrative performance in industrial institutions.

The paper provides a systematic and descriptive presentation of the costs of administrative coordination and organizational costs of work in institutions. In this case, it requires the use of new tools to deal with financial affairs related to the transfer of activities to outsourcing.

It was submitted to a proposal to introduce an additional responsibility center "the center of outsourcing" in the accounting system, which will work on the effectiveness of the decisions taken to use the benefits of outsourcing in industrial enterprises.

In an increasingly competitive marketplace, any fish processing enterprises, be it a large factory, an organization that produces small-scale production, or an organization that is engaged in custom-made for individual projects - one-off production - must pay great attention to the accounting system. production costs, since the formation of the cost should ensure a complete accounting of all costs, and the use of calculation systems that allow you to efficiently manage costs and find reserves to minimize individual costs and optimize the production process becomes especially relevant in the face of rising prices for raw materials and energy.

We agree with AlKaabi, that in order to make effective management decisions, to indicate future prospects, the management of the enterprise must have real, without distortion, information about the actual costs and the results of the activity (AlKaabi, 2011).

As Amer state in order for industrial enterprises to function successfully in the conditions of modern market relations, scientific substantiation and optimization of methods for accounting for costs and calculating the cost of production is necessary (Amer, 2012).

We also offer an approach to pooling accounts for outsourcing contracts according to the expanded type of work from the classification of cost accounting items for the accounting system in Iraq. The application of the developed approach allows improving the costing methodology and provides project management with the analytical information needed to make decisions when using the outsourcing contract.

Method

The current study was conducted on the expanded type of work from the classification of cost accounting items for the accounting system in Iraq. Bring in the information provided by the Iraqi Financial Control Council.

This primarily relates to management accounting accounts, which reflect information systematized for cost management (Amir, 2013). As the account for outsourcing costs is allocated, they are reflected in the account "Projects for implementation" along with the costs of manufacturing contracts (in a row) (Amir, 2013).

Through the research on outsourcing contracts cast doubt on these proposed efforts, as improving management accounting in the conditions of outsourcing will ensure the formation of operational information on the costs incurred by the customer company, and use innovations in cost accounting, an industry-specific cost classification is necessary taking into account the specifics of the discontinuous process of production and consumption of resources (Walled, 2016).

According to Mohammed (2010) & Walled (2016), the scientific organization of production and work and its push in commercial organizations is of great importance for increasing the efficiency of managing the production of products (business, services) in outsourcing contracts.

In practice, organizations can implement various forms of fiscal responsibility centers by decentralizing a portion of the management system and transferring some powers to subdivisions of a particular economic entity (Grigor'eva & Karengina 2017).

The method for various forms of financial responsibility centers is the process of accounting for production costs and calculating individual products or a group of similar industrial products for the distribution of outsourcing contracts, which have some similar characteristics, and their determination is not particularly difficult.

As advantages of this method, one can rule out the absence of the need to apportion costs between the final products and the products in progress. In addition, one method for different forms of fiscal responsibility centers, compared to other methods, allows:

- Determine the costs of a particular separate order more precisely;

- To assess the efficiency of executing individual orders, to determine the most profitable order, in general and through individual processes in other similar orders in outsourcing contracts through responsibility centers.

The organization of analytical accounting of costs for the production of products (works, services) as part of outsourcing, can be built using invariant types of its practical implementation in the management accounting system by financial responsibility centers (Zahra, and Muhammad, 2016). The most effective, albeit more time-consuming, methods can be considered the process-by-process and alternate methods of analytical cost accounting in combination with the normative method.

Responsibility centers should ensure the optimal combination of all elements in a single management system; the interaction of industrial, scientific, technical, commercial activities and elements of cost accounting for production; obtaining the greatest economic effect from the result of activity and the efficient use of production

potential within the framework of outsourcing.

Responsibility centers perform the functions of planning, accounting, control, reporting and motivation. Creation of responsibility centers allows controlling responsibility for making production and financial decisions. A reliable and objective assessment of the results of the functioning of responsibility centers is an important task of setting up managerial accounting and an important element in the system of generating information on outsourcing costs in organizations.

Results

The implementation sequence of the method developed in the search for the strategic objective in terms of the distribution of financial responsibility centers began, as follows:

- 1) a center of responsibility, which has the right to independently control and manage its production costs;
- 2) a responsibility center operating on the principles of self-control of its production costs, production results and self-management by them in order to achieve recoupment of production costs and ensure the profitability of its activities, shown in Table 1.

Table 1. Models of economic relations of divisions of a fish processing enterprises when creating responsibility centers

Elements of economic relations		Relationship models		
		Cost centers	Profit centers	Outsourcing Center
1. The degree of independence of units in the organization of fish production activities:	a) planning and costs of production of products (works, services)	+	+	+
	b) development and establishment of economic standards for production resources and internal transfer prices	-	+	+
	c) the choice of production technology	+	+	+
2. The degree of financial and economic independence the primary units of fish production activities :	a) control and management of costs	+	-	+
	b) control and management of costs, marginal income and profit	-	+	+
3. Indicators economic responsibility of fish production activities:	a) saving (cost overrun) of production costs	+	+	+
	b) labor productivity	+	+	+
	c) margin income	-	+	+
	d) contribution to reimburse fixed costs	-	+	+

Source: The author's elaboration

and Iraqi scientists, recorded in their published works: “the center of responsibility is a segment of activity, within the framework of which the personal responsibility of the manager for the efficiency of the structural unit that he controls” (Ali, 2002).

Legislative, regulatory, organizational, socio-psychological and economic-inflationary conditions have a significant impact on the development of economic relations both across a fish production activities as a whole and between divisions within an individual enterprise.

Practice shows that outsourcing allows the economic mechanism of production organizations in these areas will contribute to giving it a organizer character, in the framework of this task and in accordance with the provision on the recognition of financial statements and clarification of financial statements for usage in the accounting system (Abbas, 2008).

The organization of financial responsibility centers should be preceded by the rationalization of fish production activities relations in organizations for the effective management of the production activities of departments by constantly assessing the results of their production and financial activities for outsourcing contracts on the basis of relevant accounting and control information that serve as the basis for accounting information for interested users (Sabah, 2012).

Therefore, the strategic direction of management accounting for the activities of financial responsibility centers should be focused on providing information to the cost management system and the results of the activities of production units of fish production activities.

From Table 1, when using the first provides of responsibility centers, subdivisions receive partial independence, work on condition that the level of planned production costs is observed. The additional salary fund for the employees of the unit is formed on a leftover basis, that is, due to the resulting cost savings. This form of responsibility centers can be viewed as transitional to forms with a broader independence of subdivisions.

The second provides of responsibility centers provides for the right of divisions to independently organize the production process of the most profitable types of products. They carry out on-farm turnover of their products in its assessment at internal transfer prices, which include part of the potential profit.

The third provides of responsibility centers a structural unit or a group of organizational units, the leaders of which are responsible for the effectiveness of decisions made to use the benefits of outsourcing.

In any form of organization of responsibility centers, it is important that departments are responsible for the final results of production, interact with the organization and other departments on the basis of the development of internal payments for products, services, material resources. Over the past decades, the problem of improving cost management with the help of responsibility centers has been actively studied by many foreign scientists (Kaverina, 2003; Leikin, 2006; Sabah, 2012).

A significant contribution to the study of the applied aspects of cost accounting at their places of origin and responsibility centers was made by Iraqi scientists such as (Hassan, 2000; Alsalm, 2001; Ali, 2002, and others). According to the majority of foreign

units, organizing management accounting and monitoring their activities will lead to an adjustment in the cost of outsourcing and increase its profitability.

Discussion

Improving management accounting in the conditions of outsourcing will ensure the formation of operational information on the costs incurred by the customer company will determine the effectiveness of outsourcing and make the best management decision on the further use of this type of service, will improve the procedure for monitoring the implementation of the contract. The choice of accounting objects, and, consequently, production accounting methods, depends on the type of production and its technology, as well as on the principles of organization, the level of mechanization, the range and complexity of products and other features (Hassan, 2000; Ruhanita, and Daing, 2017).

By choosing the most rational model of production accounting in the management accounting system by the centers of financial responsibility and internal control of business operations and agreements based on the requirements of standard No. 1 "Measurement of performance results under employment contracts. Accounting rule No. (1) The unified budget accounting systems Iraq (Iraqi FCC, 2011; Iraqi legislation, 2015).

Based on the results in accordance with the requirements of their organizational and technical aspects of practical application in the general management accounting system in Table 2.

The main functions of the specified management system at the level of responsibility centers should be: forecasting; business planning of production and results of activities of responsibility centers; rationing, control, analysis of costs and production cycle; accounting and calculation of production costs; regulation of business processes related to outsourcing contracts (Alkarawy, et al. 2021; Onchar, 2019).

Thus, it is necessary to clearly understand the place and role of individual on-farm formations - centers of financial responsibility in the production process. Financial responsibility centers are, in fact, the main objects of management and the main links in the organized structure of production in fish production activities.

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Therefore, it is necessary to create appropriate conditions for a fuller use of their internal production and economic potential. It also requires a thorough substantiation of the principles for establishing the size of the main on-farm

Table 2. Models of using methods of production and management accounting systems for financial responsibility centers in fish production companies

Management accounting systems	Cost accounting objects	Production cost accounting methods			
		custom	by-process	transverse	normative
1. Direct costing of fish production	Financial responsibility centers, types of production (works, services) according to outsourcing.	-	+	+	+
2. Traditional system of accounting for full of fish production costs	Types of production of products (works, services) according to outsourcing.	+	-	-	+
3. Standard-cost of fish production	Responsibility centers, types of production of products (works, services) according to outsourcing.	+	+	+	-

Source: The author's elaboration

When rational organization of production and management accounting of costs by centers of financial responsibility, it is necessary to expand the list of cost accounting objects according to outsourcing contracts (Hassan, 2000; Ruhanita, and Daing, 2017). Expansion and detailing of cost accounting objects by centers of financial responsibility are necessary for full information support of the operational and strategic management of organizations.

In this regard, the objects of analytical cost accounting should be not only types of production of products (works, services) according to outsourcing contracts, but also centers of financial responsibility, elements and cost items, costs in work in progress. Of no small importance for the correct organization of accounting for the activities

The choice and definition of methods and systems of cost accounting is influenced by not only the type and nature of production, but also by the subject and object of accounting, the goals and objectives of detailed knowledge of this subject and object in market conditions according to outsourcing. With the help of the first model in Table 2, it is possible to determine, control and analyze the costs, output and results of production activities of financial responsibility centers at the end of each stage of the technological process, either redistribution or production cycle, which fully meets the requirements for managing the performance of departments and organizations in the whole according to the outsourcing contracts involved in the organizations fish production.

cycle for making managerial decisions and timely regulation of production processes in case of risk and uncertainty.

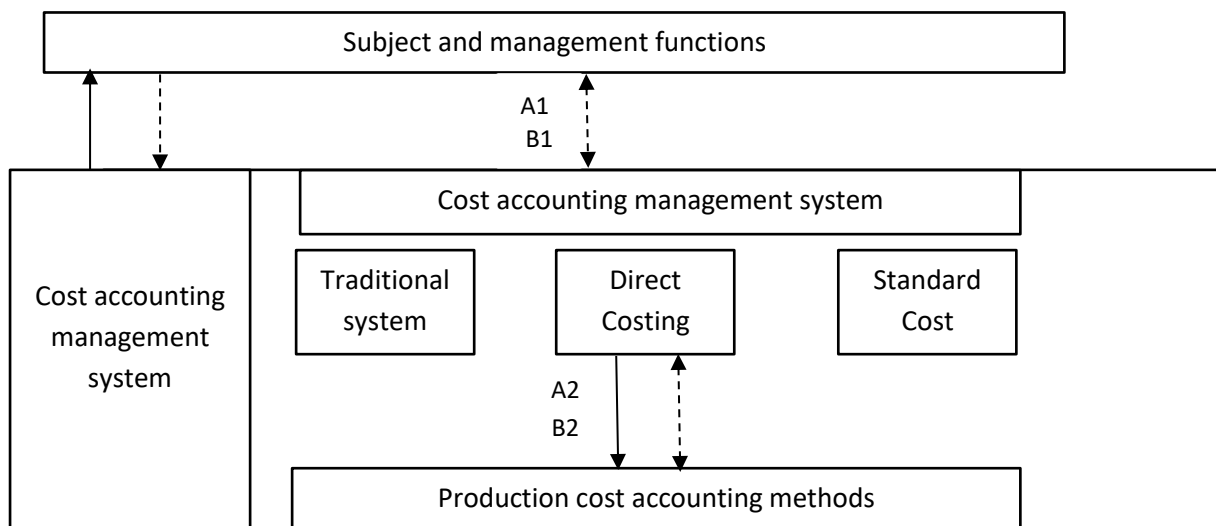
For clarity and practical necessity according to the research results, we obtain a schematic form of the structure and content of the variance of the organization of management accounting of costs by centers of financial responsibility within the framework of outsourcing contracts. Such an organization of management accounting should facilitate the efficiently interconnected functioning of its content and form in Figure 1.

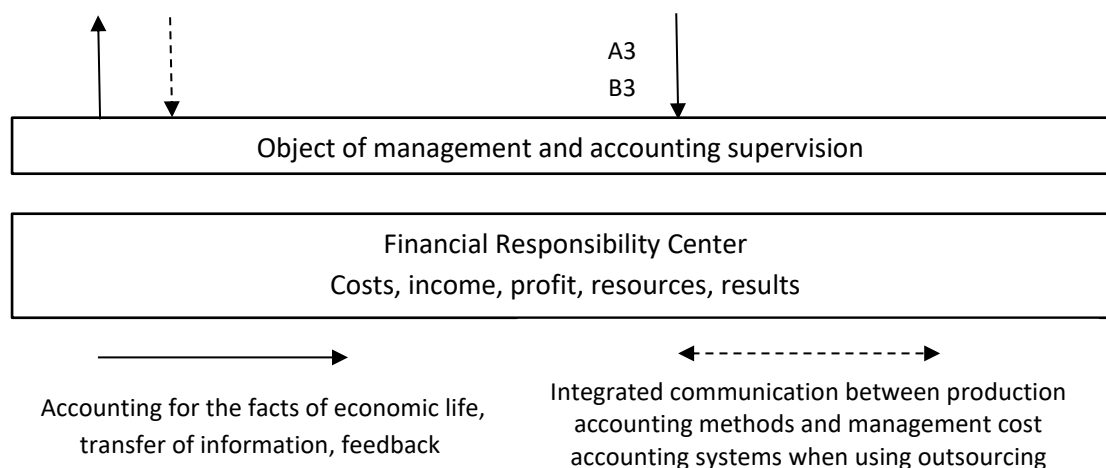
In this model, the vectors A1 - B 1, A2 - B 2 and A3 - B3 mean outsourcing contracts in companies of the facts of the economic life of financial responsibility centers, their registration with primary documents and in the registers of production and consolidated accounting, as well as reflection on the accounts.

After processing, the information is presented to the subject of management for making decisions on the development strategy of the organization. By obtaining and using semantic information about the substantive aspects of the facts of the economic life of financial responsibility centers, managers can successfully manage costs, output and production results.

of centers of financial responsibility is scientifically grounded classification of costs by items of calculation both in planning and in accounting (Murray, 2002; Amir, 2013; Roller, 2013; Sabah, 2015; Nassif, and Hassanein, 2016; Zahra, and Muhammad, 2016). It should allow organizing management accounting of costs by centers of financial responsibility by item and financial accounting of costs by elements as a whole for the enterprise, as well as facilitate the integration of information on the costs of financial and management accounting, calculate the segment, production and commercial cost of products (works, services) according to outsourcing contracts, analyze costs, profit margins and profits for any period of the production process being involved as part of outsourcing.

Through the use of cost accounting methods in outsourcing contracts, also used in the structure of progressive management accounting systems, then it is possible to: promptly compare costs with their standard values, determine deviations from standard costs by places of origin, reasons and culprits; analyze the return on costs of products; calculate and analyze indicators of the cost of production at the stage of the end of each redistribution, process, production





Source: The author's elaboration

Figure 1. Model of the organization of management accounting of production costs (works, services), in the framework of the use of outsourcing in the fish production companies

organization of accounting planning calculation and analysis of the cost of outsourcing services.

Conclusion

The recommended organizational measures for management accounting by financial responsibility centers under the use of outsourcing can significantly increase the efficiency of communication of relevant, reliable, independent, understandable and useful information in the system of economic management methods for financial responsibility centers in the fish production companies that use outsourcing in their activities.

It requires features that focus on finding and realizing the capabilities of the institutions that guarantee their development and stay in an accounting framework that suits their work. The mechanism of dividing costs according to the subject area and the functional basis is presented by forming information about the accounts of the institutions and the financial results in which its components are reflected, each

In the given model, the arrows indicate direct and feedback links between the subject of management and the object of management through communication of information in management accounting, as well as through the process of decision-making and control of their implementation in the framework of the use of outsourcing. In the given model, the content of management accounting and its organizational form express an inextricable link with the organization, methodology and technique of maintaining production accounting methods by centers of financial responsibility when using outsourcing.

In addition, it eliminates the need for multiple data entry for different accounting systems; their conformity, comparability on the basis of a single information space, as well as extensive management accounting are ensured. The application of the recommended system will improve the quality of accounting information and its use will facilitate the adoption of the right management decisions by all management bodies of the company. The development and approval of these guidelines will ensure the unity of approaches and proper

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- according to its accounts according to its accounting system used.
- The use of the methodical approach proposed by the author allows to obtain information in the necessary analytical sections necessary for the implementation of economic analysis and control of this type of enterprise expenses, identifying the causes of deviations. The information obtained allows for a more accurate calculation of the effectiveness of the application of outsourcing services that complies with the standards of the Iraqi Financial Control Council .
- From what has been obtained, a broad and general method can be developed that generally satisfies the organizations.

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