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20 January 2016

Online at <https://mpa.ub.uni-muenchen.de/69101/>

MPRA Paper No. 69101, posted 31 Jan 2016 09:03 UTC

COST ACCOUNTING: A PIVOTAL FACTOR OF ENTREPRENEURIAL SUCCESS.

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ABSTRACT

This paper presents “Cost Accounting: A Pivotal Factor of Entrepreneurial Success. The aim of the paper was to link and delineate how the cost accounting objectives are instrumental to the entrepreneurs’ expression and entrepreneurial success. A simple qualitative approach is used in its analysis by developing a sound framework. The study concluded that entrepreneurial efforts will be a ruse if the cost accounting, considering its functions and objectives is relegated to the background. The planning, controlling and decision-making roles that cost accounting plays through its functions cannot be negotiated. The study gave a final word as its recommendation that the grades the entrepreneurship students received in cost accounting are not what matters, but the appreciation of the knowledge, skills and application of it in the real world is highly of practical value. Because, the true test of the entrepreneurial potential and ability to succeed as an entrepreneur is in the marketplace where you must be able to put to practice the cost accounting and other relevant skills you have garnered through erudition, but not in the classroom.

Keywords: Entrepreneurial Success, Entrepreneurial potential Cost Accounting, Entrepreneur.

1. INTRODUCTION

As invention and innovation are core to the entrepreneurship; accountability through effective accounting system is also core to its survival. The role of entrepreneurship cannot be overemphasized anywhere in the world most especially in a developing country like Nigeria where the informal sector is incapable of absorbing the teeming population of the polytechnic and university graduates. Schumpeter as cited in Jhingan (2007) sees entrepreneurs as those that introduce innovations and to still others to provide capital. Entrepreneur in the words of the author is the kingpin of any business enterprises, for without him the wheel of industry cannot move in the economy. In fact, it is an indispensable ingredient in the economic development of the nation. The logical point that needs to be reiterated is that it is incontrovertible fact that entrepreneurship is highly relevant to the development of the economy. At the same time, the survival of the entrepreneurship also rests majorly on the effective accounting system. This is not unconnected with the fact that if entrepreneurs are not well informed by the accurate and reliable financial fact and figure in the course of expressing the entrepreneurial objectives both the enterprise and the entrepreneurs can be totally deformed.

It is indisputable that the formal sector in Nigeria cannot accommodate the growing numbers of the graduate in Nigeria, hence private enterprises is seen as the last option to salvage the Nigerian graduates from the menace of unemployment. The accounting objectives cannot be divorced from successful entrepreneurship most especially in the dynamic, multifaceted and complex business environment in Nigeria. Hence, accurate bookkeeping, financial and cost accounting serve as the pivot to the going concern of any enterprise.

National MSME Collaborative Survey (2010) identified one of the reasons why many Small and medium Scale enterprises collapsed within the first five years of their establishment is because of the lack of effective accounting or bookkeeping, to the extent that the accounting information needed to make judicious decisions are lacking. Most of the enterprises are relegating the importance of accounting in their business; some of them insist that they do not need accounting skills believing they can handle the accounting requirement of their businesses haphazardly. Some entrepreneurs see the salary to pay the

accountant as resources wastage without considering the risk and cost of not having the timely accounting information for judicious decision and policy making.

Against this backdrop, this piece intends to link and delineate how the cost accounting objectives are instrumental to the entrepreneurs' expression in the context and prevailing economic condition of Nigeria. Besides this introductory section, the piece is sectionalized as follows; section two review the concerns issues, section three presents the link between financial and cost accounting objectives and entrepreneurial expression. The final section offers the concluding remarks.

2. BRIEF REVIEW

Walter and Robert (1997) called accounting as 'the language of business'. It further defined accounting as the art of measuring, communicating and interpreting financial activity. American Accounting Association sees Accounting as the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by the users of the information (Salako, 2011). Accounting is concerned with providing both financial and non-financial information that will assist entrepreneurs to make a good decision or informed judgment on his or her undertaking. Accounting is a language that communicates economic information to people who have an interest in an organization (Reeve et al. 2009).

Cost accounting is the collection, accumulation, classification, coding, analysis, processing and recording of cost information to assist enterprise's manager in planning, control and making sound and reliable decision. In other words, cost accounting is about providing detailed information for control, planning and decision making (Adeniji 2013).

Financial Accounting is the classification and recording of monetary transactions of an entity according to the agreed principles, concepts, standards and legal requirement and their presentation at the end of the accounting period.

The accounting (Financial and Management/cost accounting) are common to all areas of accounting and their importance cannot be relegated backward in the entrepreneurial world. However, the major

distinction between them is their use by two different classes of decision makers. The field of financial account serves external decision makers while management/cost account serves internal decision makers of enterprise (Chalse and Gary, 2008).

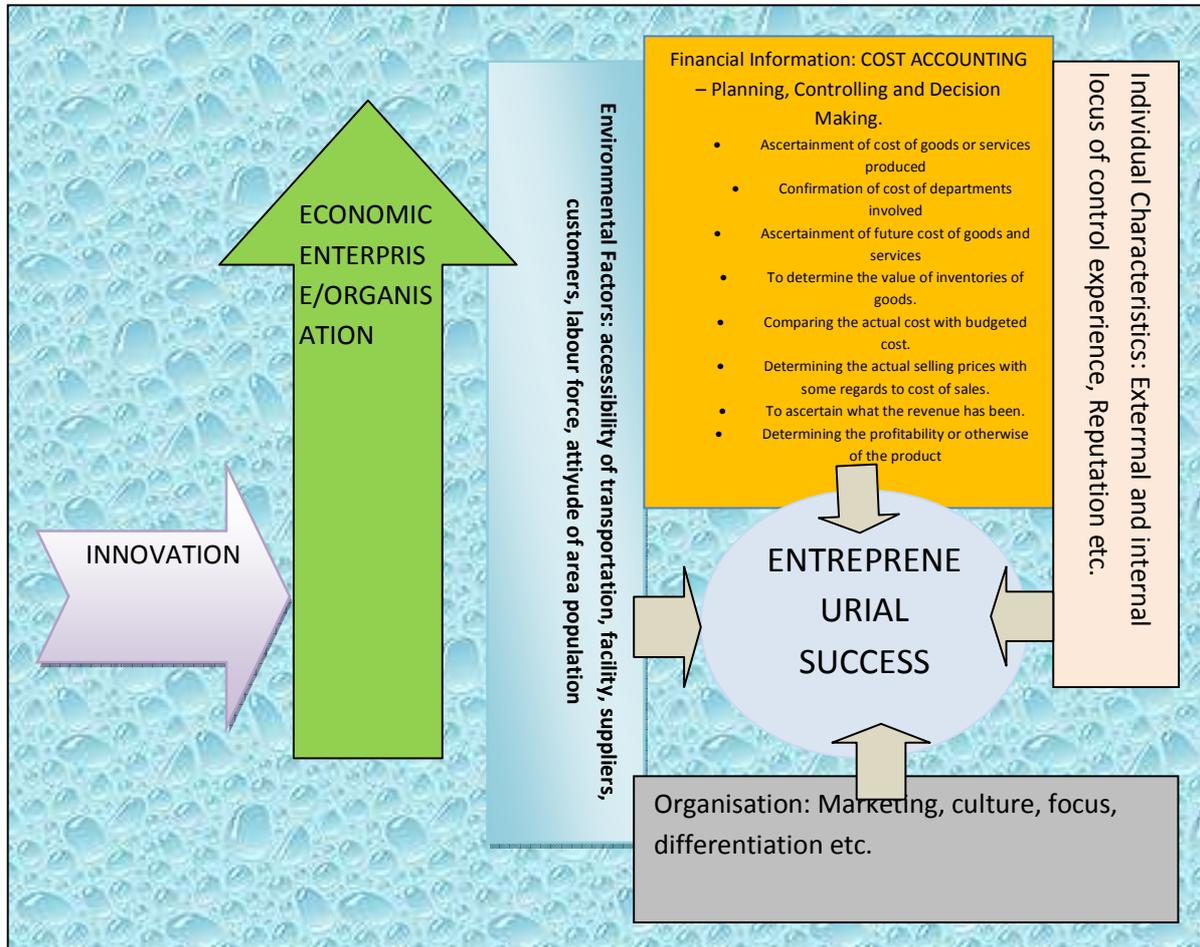
As cited in Paul & Jim (1996), according to French economist Cantillon, the person that first introduced the term, Entrepreneur. He referred entrepreneur as 'the agent who purchased the means of production and for combination in marketable products'. Ayodele and Ayodele (2009) assert that entrepreneur is an individual who create an enterprise that becomes a new entry to a market. And, it is further conceptualized in broad dimensions that entrepreneur is anyone who undertakes some projects and bears some risks. An entrepreneur is an economic leader who possesses the ability to recognize opportunities for successful introduction of new commodities, new techniques and the new source of supply and to assemble the necessary equipment, management, labour and organize them into running concern (Jhingan, 2007).

Entrepreneurship is the creation of an innovative economic organization (or network of organization) for the purpose of gain and growth under conditions of risk and uncertainty (Dollinger, 2003). Entrepreneurship is the process of creating a business enterprise capable of entering new or established markets (Ayodele and Ayodele, 2009).

Entrepreneurial expression connotes translation of commercial-able idea (saleable innovation and invention) into economic reality in term of business amid the risk and uncertainty in the environment with the aim of profiting by adding value (goods and services) to the society.

3. FRAMEWORK AND TECHNIQUE.

The Framework of Cost accounting Objectives and Entrepreneurial Expression.



Framework: Authors.

Discussion of the Framework

The cost account objectives and entrepreneurial framework above shows the crucial role of financial information which is provided by cost/financial accounting to the entrepreneurial success. The success of enterprise or entrepreneur depends on multiple factors like Environmental factors: Accessibility to transportation, facilities, suppliers, consumers, labour force and attitude of the population etc. Organizational factors: Objective of the enterprise, marketing, research and development, culture, the product uniqueness and differentiation etc. Individual Characteristic: internal and external locus of control of individual, experience, individual disposition. Upon all the aforementioned factors, entrepreneurial

efforts will be a ruse if the cost accounting considering its functions and objectives is relegated to the background. The planning, controlling and decision-making roles that cost accounting plays through its functions enumerated above cannot be negotiated. From the point of idealization, when the entrepreneurs have started incurring cost on miscellaneous activities, to the point of engagement into real venture need to be estimated and use for further planning, controlling and making varieties of economic decisions.

4. BRIEF QUALITATIVE ANALYSIS

Having been confirmed by Ayodele and Ayodele (2009) that one of the major factors that have been causing entrepreneurial failure is a financial and economic failure, it is important to emphasize that failure to embrace and exploit financial/cost accounting skill by the entrepreneurs is embedded in the above two factors. Hence, the importance of financial / cost accounting objective is core to the entrepreneurial success as depicted in the model below:

The importance of financial and Cost accounting as required for entrepreneurial success are highlighted below: Enterprise's success requires effective and reliable financial information which will facilitate control, planning, and decision making. This information is provided by the Cost and financial accounting. Enterprise requires financial and cost accounting for effective control in order to be able to achieve the entrepreneurial objective of profit maximization, cost minimization, revenue maximization, increase market share and for the long run survival. The enterprise's detailed operational plan is compared with the actual performance of the enterprise on a regular and continuous basis. The Cost Accounting is a tool for entrepreneurial decision making. Entrepreneurial expression in whatever manner cannot take place without making a financial and non-financial decision. The financial/cost accounting provides the means of making the required decision for the success of an enterprise.

Specifically, the above importance of cost accounting to the entrepreneurial success can be achieved by the following function of cost accounting:

- Ascertainment of cost of goods or services produced

- Confirmation of cost of departments involved
- Ascertainment of future cost of goods and services
- To determine the value of inventories of goods.
- Comparing the actual cost with budgeted cost.
- Determining the actual selling prices with some regards to the cost of sales.
- To ascertain what the revenue has been.
- Determining the profitability or otherwise of the product
- Ascertaining the financial position- liquidity, solvency, and profitability of the enterprise. This will further help to determine the ability of the enterprise to achieve the survival objective.

5. CONCLUDING REMARK (THE FINAL WORDS)

The institutionalization of the Entrepreneurship in the technical education most especially in the polytechnic is a right action in the right direction. To succeed as an entrepreneur is not a matter of the innate quality but a matter of how one appreciated and utilized the principles. The cost accounting as a course must be well integrated into the curriculum of the entrepreneurship education so that its virtues to the young entrepreneurs could be appreciated. The grades the entrepreneurship students received in cost accounting is not what matters, but the appreciation of the knowledge, skill and application of it in the real world is highly of practical value. Because, the true test of the entrepreneurial potential and ability to succeed as an entrepreneur is in the marketplace where you must be able to put to practice the cost accounting and other relevant skills you have garnered through erudition, but not in the classroom. The teaching of cost accounting must be practical and pragmatic as much as possible and the teaching should not be too theoretical and appears abstract to the students.

ACKNOWLEDGEMENT

To the Glory of Almighty God.

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