

The ABC as Tool for Decision Making in Public Administrations

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Abstract

The activity-based costing, applied in public services, is a full costing method which recognizes the relationship between costs, activities, and products/services of a public administration. The ABC has the function to support the decision-making process and to inform the management about the resources acquisition and the level of resources utilization. In fact, a cost accounting system aims to provide an organization with relevant cost information, related to product and services, to support the decision-making process. Traditionally, the cost accounting system of an organization was designed to support the needs of financial (external) reporting and to help the determination of a satisfactory price for goods and services sold. When traditional methodology has been developed, direct labor and materials were the most significant product or service costs, with overhead costs that engraved only with a small percentage of total costs. In the recent context of the public administration corporatization and of the outsourcing processes for the public services delivery, the awareness that the resources are becoming increasingly scarce and, therefore, that it is necessary to use them in a cost-efficient way, in order to achieve high standards, plays a pivotal role. Therefore, with reference to the public service sector, the ABC verifies, for each service, the acquired financial resources, the costs of each productive factor, the obtained qualitative and quantitative results, and the revenues.

Keywords

Cost Accounting, Public Service Sector, Cost Efficient Way, Cost Centre Accounting, Activity Based Costing, Financial Statements

1. Introduction

The cost accounting has the function to support the decision making process and to inform the management about the resources acquisition and the level of

resources utilization. With reference to the public service sector, the cost accounting verifies, for each service, the acquired financial resources, the costs of each productive factor, the obtained qualitative and quantitative results and the revenues.

In the recent context of the public administration corporatization and of the outsourcing processes for the public services delivery, the awareness that the resources are becoming increasingly scarce and, therefore, that it is necessary to use them in a cost-efficient way, in order to achieve high standards, plays a pivotal role. Using resources in a cost-efficient way means optimizing the obtained results in relation to the inputs used in the economic transformation process.

Moreover, the general absence of the competitive logics within the delivery of public services, as automatic mechanism of market adjustment, allows recognizing a primary position to the management control procedures.

Regarding to the cost accounting methodologies used to measure the full cost level that are attributable to the different provided service categories, classifying costs on nature and then on destination is necessary.

In order to better understand these methodologies, distinguishing the costs in relation to the way in which they are related to the reference object is considered appropriately. The classification by imputation divides the costs in special and common and then divides them into direct and indirect.

The indirect costs, are not directly attributable to the single object of cost, and are generally divided in proportion to a basis of predefined allocation. In that regard, two alternative calculation methods are identifiable.

Usually the two main used methods are the Cost Centre Accounting Approach and the Activity Based Costing (ABC).

Previous studies have shown that ABC is useful in two situations (Cooper-Kaplan, 1988) [1]:

- a) When organizations have growing expenses in indirect and support costs, with a traditional cost accounting system that is based on the assumption that cost objects consume resources, and it is generated prevalently by direct labor and materials.
- b) When organizations have several products, services and processes, as typically registered in public administrations.

Activity-based costing is now an accepted element of the accounting and control systems of industrial and service firms, and it has been employed in both governmental and not-for-profit organizations. The characteristic of public sector organizations, as overhead-intensive service entities, suggest the use of ABC. The adoption of ABC in private sector was propelled by increasing proliferation of all businesses outputs (including types of suppliers, products, services, channels, and customers) that cause increased complexity and increased indirect expenses to manage the complexity. But for public administration the variety of services offered, of suppliers and the cross-sectored demand of various category of citizens with differentiate needs is not an effect of transformations in its own environment, but rather a characteristic of its own activity.

From the public managers and politicians' perspective, the ABC allows a more detailed and accurate analysis of overhead cost, with a direct connection between services-outcomes, resources necessary to implement activities and factors that consume them. An analytical map of activities and a detailed cost analysis represent a great help for budgeting.

From the citizens' perspective, the last years were characterized by an increase in public services quality obtained mainly by using new technologies; however, the citizens perceive yet these services as too expensive and often of a low quality. It is a widespread, but very relevant in countries where a large part of citizen transaction are done with the public administration.

The cost accounting tools, and particularly the Activity Based Costing, with its capability to analyze and to classify activities and actions, can help the change in the PA by analyzing each part of Local Government and promoting mechanisms of improvement. The citizens have certain legitimate expectation of the standard and quality of services and the government should be able to deliver them. As taxpayers, the citizens-consumers can evaluate through a cost accounting system able to produce relevant quantitative information, the level of effectiveness of instruments as the "citizens' charter", adopted by several governments to set out in a transparent way the standards and the types of services that are being offered.

Despite its advantages, the activity-based approach has also several limitations, including that of being very complex to apply. And probably, in the public sector this complexity is harder than in private sector (Collier, 2001) [2].

2. Cost Classifications

The cost accounting systems adopt different classifications and each one uses several *cost drivers*. This generates different cost configurations which are used according to the different informational needs to satisfy. The different cost configurations are the following:

- *The Classification by nature* distinguishes the costs in relation to the nature of the acquired input product. It is used, in the general accounting, in the financial statements drafting process. The classification by nature considers the qualitative characteristics of the acquired input product to be used in the production cycle. Personnel costs, amortization, raw materials, interest expense, are examples. Viceversa, in the cost accounting, a *classification of cost by destination* is used.
- *The classification by variability* divides the costs into fixed, variable and semivariable. Precisely, in the short term, there is an investigation about the correlation between the produced quantity and the incurred costs. If the incurred costs depend on the production volume, their variability is associated with the specific *cost drivers*. The *Fixed* costs are constant despite the production volume variation, viz the amortization, overhead costs, administrative costs, and so on. The amount of the *Variable* costs, viceversa, varies in a

more or less proportional way according to the level of the realized production, such as for example the cost of the direct labor, the raw materials, and so on.

- *The classification by imputation* divides the costs in special and common and then divides them into direct and indirect. The criterion of the division is based on the objectivity of the measurement of the partial amount of the input product, used in order to produce the output, in relation to the object of the cost. Therefore, if the input product consumption is ascertained, the cost is special, otherwise the cost is common. In addition, considering the procedures for allocating the cost object, if the criterion of the objectivity is joined by the cost effectiveness criterion, it is possible to distinguish between direct costs and indirect costs. Therefore, it appears that a common cost is always indirect, while a special cost can be direct or indirect.

The indirect costs, not directly attributable to the single object of cost, are generally divided in proportion to a basis of predefined allocation. In that regard, two alternative calculation methods are identifiable:

- 1) cost to be divided * basis referred to the object/total basis of apportionment (*attribution rate*);
- 2) basis referred to the object * cost to be divided/total basis of apportionment (*apportionment rate*) (Farneti-Silvi, 1997) [3].

- *The classification by use in the decisions* identifies the costs according to their controllability in the case of alternative management decisions. The costs are divided into relevant and irrelevant, the former are controlled by the head of a particular functional area and are connected to the implemented strategy, the latter have to be sustained regardless of the managerial action to enact. Regarding to the irrelevant costs, the overhead costs, in order to ensure the economic organizational continuity have to be sustained.
- *The classification in consumptive and preventive/standard* constitutes a relevant distinction in the public services management. The consumptive costs related to the production processes are recognized *ex post*. Such costs are certain, objective and, usually, they are recognized during the financial statements drafting in compliance with the civil regulations. Viceversa, the standard costs are measured before the production processes and are used in order to make forecasts about the future enterprise performance through the use of statistical or deterministic methods. Usually, the standard costs are the basis on which the budget is built and represent the measurement, in perspective, of the strategies to implement. However, considering the recent corporatization of the public administration and the outsourcing of the public services delivery, the standard costs are a constraint and, at the same time, a benchmark for the initial definition of the enterprise strategy. So far the costs/revenues balance was not taken into account enough. This is because the eventual financial statement deficits were covered by the Public Administration and were considered as a social cost. In this way, there is the absence

of a direct link between the price, representative of the revenue, and the cost, which measures the economic sacrifice to be incurred for the production process performance. Instead, previously, the link between the quality and the tariff, the former as the independent variable and the latter as the dependent variable, and the fact that the cost was not connected in any way with the quality to be achieved and the tariff to charge, were considered. In this way, it was difficult to pursue a financial statement balance and to achieve profit levels that could satisfy the investors' interests. The dynamics between the three variables (tariff, quality, cost) that determine the enterprise performance seem to be more relevant to the business administration logic, which considers the revenue as a positive income component that covers the costs. In particular, the quality, is considered as the starting independent variable from which the level of the cost depends. This latter, in turn, becomes the independent variable from which the value to be attributed to the variable "tariff" derives. Therefore, there is a logic of economic efficiency, directed to the profit pursuit (Barfield-Raiborn-Kinney, 2003) [4].

- *The classification by cost configurations* is carried out in relation to the different obtainable configurations. This classification considers the subsequent categories of cost, that highlight the composition of a given cost object at a certain stage of the production process: *first cost*, which includes direct costs of production, generated by the enterprise ordinary activities execution and referred to a specific output (raw materials, direct labor, and so on), and excludes any amount of indirect costs imputation; the *industrial cost*, which adds to the first cost the manufacturing overheads amount, also including indirect costs (*i.e.* auxiliary materials, amortization, electric energy); the *overall cost*, equal to the amount of industrial cost plus the commercial, administrative, financial and taxation costs. The overall cost indicates the amount of the so-called *full cost*, which includes the total costs arising from the enterprise ordinary and extra-ordinary activities execution; the *technical-economic cost*, which adds to the full cost, the figurative costs amount. The *technical-economic cost* considers also the opportunity costs, not measured by corresponding negative financial events and generated by the loss of gain for alternative not carried out investments (Drury, 2008; Modell, 2001) [5].

3. The Cost Accounting in the Public Administration

That being stated, the managerial activities require, in the process of the economic planning, the data processing deriving from the above mentioned costs configurations. These are made through the reclassification of the financial statements items. In order to carry out the management control activities, determining the production costs of the public services constantly, in a coordinated way, within a cost centres system of analytical cost accounting, is necessary. The primary intents are the following:

- accountability of the cost centre responsible on the use of the resources;

- assessment of the economic convenience to outsource some production activities;
- setting the tariffs and/or the prices of final products and/or making analysis on the level of profitability or cost coverage;
- conduction of comparisons between several companies (Becker-Bergener-Räckers, 2009) [6].

The general accounting is mandatory, with an external disclosure function and has as objectives the determination of the results of the net income, measured as the algebraic sum of costs and revenues of economic competence regardless of the time of the financial manifestation, and net working capital, as a result the algebraic sum of the economic and financial liabilities and assets. The general accounting makes use of the double-entry method, through which the operating events are measured and, through amendment or integrative adjustment entries, assigns the income and the asset items to the various accounting periods.

In a subsequent phase, the cost accounting will be developed. It is not obligatory and is designed for gathering information for internal use, with the aim to facilitate the decision making process. The cost accounting has a greater level of detail than the general accounting. In fact the cost items, are classified by nature, are structured by destination, refer to the object of the cost which has determined the consumption of resources, or to the centre of responsibility from which it is possible to generate a revenue (Buttross-Schmelzle, 2003) [7].

Regarding the implementation phase of a cost accounting system, a great awareness of the existing organizational structure of the enterprise and of the activities, is necessary to have. This is in order to collect information about the various responsibility centres to which assign the costs (Jackson-Lapsley, 2003) [8]. The type of provided service, the cost structure, especially with regard to the proportion of fixed/variable costs and so on, has to be taken into account. For example it is considered appropriate:

- to prefer the standard cost in those companies where the variable costs are high. In this way, when the operating revenues are not sufficient to ensure the economic stability compared to variable costs, a rethinking of the business in terms of range/characteristics of the offered services is appropriate;
- to tend to use systems of differential analysis, considering the contribution margin as reference indicator, in those companies where the fixed costs are high and making any changes in the production structure is not possible (Agliata, 2016; Coda, 1975) [9].

4. Some Considerations about the Implementation of Cost Accounting Methods

Regarding to the cost accounting methodologies to measure the level of the full cost attributable to the different categories of the provided service, classifying costs on nature and then on destination is necessary. In this regard, normally the

two main used methods are the **Accounting for cost centres** and the **Activity Based Costing** (ABC).

It is wise to point out that the scope that could be pursued through the adoption of the **Accounting for cost centres** method consists in the acknowledgement of the several sustained costs, in order to produce the desired output and, moreover, in the respective imputation of the indirect costs assessed through the causality relationship.

The main advantage related to such method consists in the possibility to refer homogenous cost classes directly to the corresponding cost centres and the subsequent overturning of the entire amount on the several products, through a unique sharing criterion (Tuccillo, 2016) [10].

The cost centre is usually directly related to a functional organizational unit, to which the corresponding accountability centre is strictly connected. The whole of the functional units making part of the enterprise organization mirrors the requirements underlying the strategy and the management by objective approach adopted by the management (Evans-Bellamy, 1995) [11].

Usually the following cost centres classification is adopted:

- *Productive*, these cost centres are directly connected to the activities that implement the delivery process of the public service;
- *Auxiliary*, these cost centres are related to the whole of activities that are conducted as a support to the delivery process. Among the support activities carried within a firm organization there are the warehouse management, maintenance services, logistics units, and so on;
- *Functional*, this category of cost centres is usually related to the activities that, although not directly related to the delivery process, are anyway essential for the organization running (*i.e.* Sales, Administration, Finance, General Management).

Once that the cost centres plan is prepared, the accounting procedure continues with the overturning of the indirect costs to the several cost centres. This operation is carried out according to the consumption request of the underlying resource, expressed by each of the involved cost centres.

Later on this step, is the time of the auxiliary costs overturning. Therefore the same operation, for the functional centres, is optionally executed. Finally, the total amounts have to be destined to the several products through the calculation of the *unit rates of cost*.

$\text{Unit Rates of Cost} = \frac{\text{Total Costs Charged}}{\text{Quantity of the Production}}$

The formula quoted above allows measuring the amount attributable to each category of product, multiplying the coefficients shown above for the quantity used during the service delivery (Horngren-Datar-Foster, 2002) [12].

It is wise to observe that at present a rising of the indirect costs related to the production process can be detected specially in the industry sector. This trend is due to the implementation of a whole of support activities required by the increasing complexity of the production process. This phenomenon does not depend by the volume production but rather it is strictly related to the ever in-

creasing differentiation, decentralization and flexibility of the production processes. These, in turn, a decreasing of the direct costs for labor have determined while, at same time, an increase of both the direct costs for raw materials and the indirect overhead costs have generated.

In other words, the “market of the offer”, that is peculiar of the mass production and consumption, becomes now the “market of the demand”. This latter is able to detect and to satisfy the needs of the user community. It can be pointed out that the “hidden costs” generated within the production plant, viz those costs not related to the employment of the production factors, by the management of the ever increasing complexity of the production structure are caused.

These phenomena have heavily affected the organizations involved in the public services delivery. Indeed, these organizations are now required to focus on a set of specific factors, as for instance: orientation to the users’ community, total quality approach, innovation process specially using ICT technologies, production decentralization. Moreover, a high flexibility in the strategy, organization and production seems necessary. In this scenario, it is wise to point out that the traditional cost accounting function based on the cost centres that performs the direct costs overturning calculating it according to the production volume, becomes now obsolete. Indeed, this technique causes a significant information distortion about the trend and the costs distribution (Taylor, 2000) [13].

The cost centres accounting approach can also determine the so-called phenomenon of “cross-subsidization”, in which the unit cost of products connoted by a high complexity of the production process and a low production volume, is under estimated. Indeed the costs, due to the complexity, remain “hidden” and “shadowed” by the major absorption of the indirect costs made by the products characterized by a highest production volume.

Indeed, when the distribution of the indirect costs deriving from the complexity is executed according to the traditional methods based on the production volume, the penalization of the mature products was observed. These latter are connoted by a higher volume of production and lower need of costs coverage, while the youngest products are characterized by lower production volume but a higher absorption level of the indirect costs (for instance: the costs for advertising). In others words, the mature products, built up through a standardized production process, are disadvantaged in favour of those characterized by a lower production volume and higher complexity.

The issues above referred have legitimated the abandonment of the traditional management by functions in favour of firm’s management focused on the inter-relationship between the several activities (horizontal perspective). Indeed, the **Activities Based Costing** (ABC) method is adopted according to the consideration that a direct relation between product and resources consumed does not exist but, rather, these latter have to be related with all the enacted activities and that contribute, directly or indirectly, to delivery the service that the firm offers to the customers. In other words, it is important to know primarily the entity of the implemented activities and the total amount of the absorbed factors. This is

in order to assess the relevant degree of contribution of the activities themselves to the production of the final output (Selleri, 1990) [14].

5. The Construction of ABC System

The Activity Based Costing is an approach for costing and monitoring of activities which involves tracing resource consumption and costing final output. The basic idea is to change the way to allocate overhead costs to outputs beyond the traditional distinction between fixed costs and variable costs depending on the quantity produced, focusing on the “complexity costs”. It is a different view of the costs allocation process that permits to go over the simple distribution of indirect costs as a percentage of direct costs (Vazakidis-Karagiannis-Tsialta, 2010) [15].

In this view, the business processes are considered as a set of activities that accepts inputs and produces outputs. To obtain products and services companies need to implement these activities by using its resources. The consumption of more or less resources is related to the factors that cause the need of more or less activities. Are those ones that, in order to produce products and/or services, generate costs. In public sector it is possible to use the same approach: the aim of Public Administration is to produce goods and services for the citizens, and often it are exchanged in the market; however, the absence, for many public services, of a selling price or of a remunerative price doesn't influence the ABC process. Besides, it could be different the use of information or the objectives of the analysis (Krumwiede, 1998) [16].

The ABC process can be summarized into six interrelated steps:

a) *Identifying Activities.*

Activities are aggregation of homogeneous actions or single operations, which are interrelated because produce a single output by using the same resources. An activity is well defined if, by observing it, it is possible record who carries out the single operations, using which kind of resources and what is the (measurable) output at the end of these operations. All the operations must be aggregate in activities: the final goal of this step is to have a map of all the activities implemented. It is recommended to avoid a wide aggregation of operations, or that individual activities are constituted by a high number of operations. In this case, in fact, the drivers identified in phase sub b) may not adequately represent the factors that cause the consumption of the resources by the activities.

Another important aspect concerns the interconnections among different activities: indeed, the mapping process should highlight any links between the activities developed for satisfying the citizens' demands.

b) *Identifying Resource Cost Drivers.*

The Resource cost driver should be able to transform the expenses of resources (e.g., salaries, supplies) into the costs of the work activities. A cost driver is any factor that can cause a change in the costs level of an activity. The objective of this step is determine the sources of expenses that affect each activity: by observing the increasing or decreasing costs in a time frame is possible to iden-

tify the elements that cause these increases or decreases as the elements that drive the change. At the end of this step for each activity are defined the drivers that describe the cause-effect relationship between activity implementation and resources consumption.

The drivers must reflect the different characteristics of the resources: for employees they should reflect the time people spend performing work activities, while a resource driver for indirect material purchased items reflect their usage by an activity, such as energy expense's kilowatts by a machine.

c) *Assign Resource Cost to Activities.*

Preliminarily, the cost of resources is classified in direct and indirect cost: direct costs are allocated to the activities without the needs of any assumption, while indirect costs are assigned to the activities using the Resource Cost Drivers. The indirect costs are aggregate in homogeneous cost pool, and for each cost pool is individuate an appropriate cost driver. In this way, each activity could have one or more cost driver: these parameters, due to their attitude to explain the cause of increase or decrease of costs (of a single cost pool), lead the allocation of the cost of the resources to the activity. The output of this step is the calculation of the cost of each activity, as consequence of its absorption of resources.

In public sector it has to evaluate whether to proceed to a full costing type indictment: it would be recommended for a correct amounting of production costs of public services, that some of the institutional operating costs (e.g. the town council operating costs) are excluded from indictment.

Alternatively, deciding to keep the full costing approach of the Activity Based Costing, it could be possible to divide and classify the activities into:

- *Primary activities*: these are activities whose output is directly connected to the production of goods or related to the provision of services required by citizens;
- *Secondary activities*: these are all the activities that support primary activities;
- *Mandatory activities*: these are all the activities which should be carried out due to legal obligations;
- *Discretionary activities*: these are all the activities connected with the government policies and strategies, which are affected, therefore, of specific choices of politicians and managers called to implement the political guidelines.

d) *Recognition of cost objects.*

Cost objects should reflect the reason of the analysis. The flexibility of ABC system allows adapting the target of observation to the informational needs. Public managers should need information related to single public goods or services, to evaluate the level of resources consumed and the level of quality reached. But the cost object may be also represented by all the services provided by each Department of a Local Administration, rather than specific territorial areas. Defined the cost objects, the direct cost as labor or material are assigned directly to them.

e) *Identifying Activity Cost Drivers.*

The activity cost drivers are the factor that can cause a change in the level of the requested unit of activity. The objective of this step is determine the sources of the consumption of each activity: by observing the increasing or decreasing of demand of activity in a time frame is possible to identify the elements that drive the change in demand level, generating the need of more or less unit of output of an activity. These drivers describe the cause-effect relationship between cost objects and activity consumption. In the public administrations this drivers should be the result of a process of benchmarking with similar entities.

These drivers are conceptually very different from the “resource drivers”; an activity driver should reflect a measure of the output of an activity. Some examples could be: the number of documents related to the activities of registration, or the number of payment order for the expenditure management, even the number of certificates issued by a certain office for advice activities, certifications, concessions, etc.

f) *Assign Activity Costs to Cost Objects.*

In this step the costs of activities are transferred to the costs objects in function of the activity cost drivers.

All the operations which expresses the consumption of activities by the cost objects, constitutes the Bill of Activities (BOA) of a product, of a service or of another cost object.

In a BOA must be listed the compulsory activities and what it is necessary to achieve a product, a service or another output. The quantity must be expressed through the number of outputs of the activity used to obtain a unit of product/service/output. Knowing the unit cost of each activity included in the BOA and determining the uses required by each cost object you can determine the part of activity absorbed by different products and, consequently, the cost share of each activity to allocate to each cost objects (Friedman-Lynne, 1997; Oseifuah, 2013) [17].

6. Conclusions

All these considering, it can be seen that the cost accounting has its origin in the will to overcome the limits of the economic accounting. Moreover, it constitutes the knowledge base that can serve as reference for the implementation of an effective internal management control, viz the ways how the several sectors of the firm have contributed to the delivery of the public service and the achievement of the comprehensive economic result.

The cost accounting allows implementing an information system dedicated to the internal monitoring that offers the management and the possibility to perform a wide variety of investigations and inspections, in order to verify the accomplishment of different objectives. For instance, the choices of the economical convenience about the different ways to delivery the service and the related impacts registered on the effectiveness of the firm; the knowledge about the quantities of resources absorbed by the delivery of each public service, the comparing

of the values of the cost related to a different time period or, viceversa, assessing the positioning of the average cost of the service with specific benchmark values.

It could be said that the cost accounting has the scope to satisfy some informational needs different from those to which the economic and equity accounting, or financial accounting responds, in the specific case of the Public Administration. Indeed, the cost accounting emerges in order to satisfy the requirements of a specific category of stakeholder, viz the economic agent, becoming in this way, the leading informational support for the decision making of the managerial category.

Therefore, the strategic value of the information is obtainable from the cost accounting and the importance that is possible to maintain such fully confidential data, is unquestioned. Indeed, while the economic accounting is oriented to satisfy some external stakeholders with a set of information related to general trend of the firm, viceversa, with the cost accounting it is given to the managerial class the exact view about the actual trend of the firm in a strategic perspective and with the clear objective to highlight the causes of economic nature, as well as the critical issues, related to the deviations of the results obtained versus those are planned.

The final phase of the cost accounting procedure is the analysis of the deviations. This latter, in turn, can be decomposed in five steps: comparison of values; decomposition of the deviations; identification of the causes and definition of provisions to be undertaken. Moreover, it is wise to point out the following:

- The comparison is made between the values referred in the budget and those derived from the final balance;
- The next step consists in the decomposition of the elementary deviations;
- Once that the elementary deviations are identified, to identify the causes and the related responsibilities will be necessary;
- At the end of the procedure for each deviation due to a dysfunctional management, a set of specific provisions to be undertaken will be defined (Kaplan, 1994) [18].

At last, the control system includes the leading role assumed by the service contract, which rules relationships between the Public Administration and the contractor company. Within the service contract are defined: the quantitative and qualitative levels of service to be achieved; the dynamics cost/revenue and income/expenditure, which are fundamental to the determination of the tariff to cover operating and figurative costs. Moreover, the Services Chart, regulates the relationships between the contractor company and the citizen/user, defining the qualitative levels of service to be provided.

That being said, the different types of control identifiable in the sector are briefly presented below:

- The control of the holder of the service on the contractor company. It consists of an external direct control—with a gap analysis on the strategic planned goals, through a feedback approach, and an audit of the financial sustainability of the business about cost-price-quality—and an internal con-

trol, aimed at a gap analysis realized with a feed-forward approach, in order to control efficiency-efficacy and reducing the information asymmetry between the general accounting and the analytical accounting;

- The control of the holder of the service on the users/citizens. It consists of the examination of the adequacy of the price charged with the perceived quality;
- The control of the management on the public utilities company's performance trends. It is aimed at ascertaining the company ability to ensure over time an economic and financial balance, as well as to detect the level of all stakeholders' satisfaction (citizens and investors).

That being said, to use a cost accounting system, dedicated to the processing of quantitative data from the general accounting, which is able to respond to the monitoring of enterprise activities, will be necessary. This monitoring function has the scope both to verify the formal correctness of documents and procedures adopted in the conduct of public enterprise, and the optimal resources allocation (Anthony-Hawkins-Macrì-Merchant, 2005) [19].

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