

## THE IMPORTANCE OF ACCOUNTING INFORMATION ON REPORT THE COSTS OF QUALITY SYSTEMS

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### **ABSTRACT**

*The results of strong competition between companies will not be at the beginning of their composition. This example is mandatory for the requirements of accounting information systems to report quality value. Results of the study in the United States. To achieve this objective and to answer the study inquiries, the descriptive-analytical methodology was used. There was a need to be designed to bet on quality activities to monitor price-quality.*

**KEYWORDS:** *Quality Value, Monitor Price-Quality, Descriptive-Analytical Methodology*

### **INTRODUCTION**

The first priority quality in the recent executive leadership focus hierarchy has become one of the most important issues in any organization seeking to improve its performance and success. Quality Costs Currently, the cost of production in many installations is large, which requires information on this costs therefore, this study aims to emphasize the importance of measuring quality costs and report them through an accounting information system to prepare report quality costs and make this report an important outcome. Descriptive analysis methods are used to answer questions in the study. In order to achieve the desired goals, the following key points have been reviewed: previous related research, quality, and total quality management concepts, and quality costs, as well as the importance of accounting information to quality system cost reporting, and measuring quality costs and reporting, conclusions and suggestions. this is a supplement to participating in research methods.

### **Study Problem**

The study tried to show the research problem and a set of questions as follows:

- What concept of total quality and concept of total quality management ?
- What is the cost of quality and what are the totals?
- Why is measured by the costs of quality?
- How important is a self-accounting information system for quality costs (the costs of quality preparation of the report) management?
- How are quality costs are calculated and report them?

### Importance of the Study and Objectives

The importance of this research is one of the themes reflecting the modern trends in accounting, which is due to the technological developments in the field of informatics knowledge and technological productivity change, the focus of business administration and the focus on the last two decades of the twentieth century, total quality management the concept has increased, it has been defined as an international standard for quality management, and now high-quality companies receive high bonuses and bonuses. and the fact that quality costs have become a relatively large share of production costs requires providing information about these costs by preparing to report quality costs and working to make it an important output of accounting information systems. the purpose of the study was to emphasize the importance of measuring the quality and cost of the report, to incorporate it into the accounting information system, and to consider the design of the outputs of these systems, in addition to the importance of the report to management.

### The Study Hypothesis

The study is based on the premise that:

"The lack of self-accounting information systems for the costs of quality management can't determine the quality costs, Which will reflect negatively on their ability to improve quality in order to prevent lower revenues or increased. "

### Method and Plan Search

The study was based on the descriptive analytical method by reviewing books and periodicals related to the study, it has included the following key points:

- Previous studies
- Quality and TQM concept
- quality costs
- importance of self-accounting information systems for quality costs
- measuring the cost of quality and Reporting
- Conclusions and suggestions

### Previous Studies

Many of the studies on the costs of quality procedure (the cost of quality control), including:

**Yang, study (2008):** which addressed the need to modify the traditional classification of the categories of quality and costs of prevention, evaluation, and failure hidden costs, Through the definition and add two classes or two new varieties of these costs are Additional costs resulting hidden and estimated costs.

The study also clarified the calculation of several types of the total cost of using different formulas to calculate the matrix quality costs, including determining the responsibility of relevant departments for these costs.

**Omurgonulsen, Study (2009):** is designed to measure the quality costs of Turkish food industry companies and the relationship between the corresponding cost analysis and the unqualified costs of these company samples. The result of the study is that the unqualified cost is reduced by 0.83% due to a 1% increase in the cost of qualifying. There is no

correlation between the two. The inverse relationship between the two costs can be attributed to the cost of external failure

**Kendirli& Tuna, Study ( 2009):** which reviewed the concept of quality and the different ways to measure and weaknesses of these methods, costs,

It has been applied to the costs on the basis of system activities in this area to overcome the weaknesses mentioned points or to mitigate them as much as possible. The study also revealed the importance of the costs of quality information in the decision-making process related to quality.

**Jafar, Mohammad, Fariba&Mehrdad,Study,( 2010):** which dealt with the impact of the costs of quality system in helping the organization to identify design costs and prevention, and the cost of evaluation, And the costs of internal and external failure, was using the case study method through the application on one of the industrial companies in Iran. The outcome of the study showed that the optimal implementation of TQM positively influenced the level of determining the costs of quality in the organization system.

### **The Concept of Quality and Total Quality Management**

Provided many definitions of the concept of quality Juran has defined it as the suitability of the product for use, Crosby Has ever known: product specifications matching set Malcom Has ever known for quality as the total number of advantages and characteristics that affect the ability of a good or service to meet the specific needs from the standpoint of customers (Malcom, 1990).

From the foregoing, it can be argued that quality is the organization of consumer satisfaction and fulfill his wish and expectations and the lowest costs.

It includes quality in two basic elements, namely design quality and quality consistency, design and measurement interviews to meet the consumer's quality specifications of the needs and desires of the benefits or services, as this means matching the quality of the product according to the design and specifications and specifications for industrial engineering (Horngern, Foster and Datar, 1996, p. 1222)

The concept of total quality management, there are many views on the definition, has been selected for inclusion in the following definition of the majority views,

According to this definition means that the concept of total quality as the creation and development base of values and beliefs that make every employee knows that quality customer service is the main objective of the facility and that through teamwork is the best way to bring about change is required in the facility (Alqtahana, 1993).

It is clear from this definition that there are three aspects of the president of the Total Quality Management is a customer, and a team of teamwork, improvement.

### **Quality Costs**

Quality costs are the costs that occur to prevent the occurrence of low-qualityOr are those costs that occur as a result of low-quality occurs? Costs and quality can be divided into:

The costs of prevention It is those costs that occur to prevent the production of non-compliant products specifications such as the cost of quality engineering, screening incoming materials, and maintenance and repair of machinery, industrial process engineering, engineering design, and the cost of training to reach the desired level of quality.

Appraisal Cost: It is those costs that occur to discover that individual units of the product are shoddy, such as Inspection of material received, costs, and testing of the product during the manufacturing process, and examination of the final product.

Internal failure costs: It is those costs that occur when the product is shoddy "before" shipped to the customer, such as the discovery: the cost of recycling products shoddy before being shipped to the customer, and the cost of re-examination, and contributing to the margin lost due to low production quality.

External failure costs: It is those costs that occur when the product is shoddy discovery "after" shipped to the customer, such as returns costs Reform and allowances granted by the facility to customers to encourage them to accept those products, and the margin lost contribution from lower sales and market share and price.

It is worth mentioning rising costs of prevention and evaluation whenever increased quality while decreasing internal and external failure costs the greater the quality.

### **The Importance of Accounting Information on the Costs of Quality Systems Report**

Intense competition among companies in the era of globalization requires departments to find ways and new ways to effectively manage their facilities. To achieve this, the new information that should be provided to the Administration may be different from the information required above.

Among the factors that led to the importance of changing the quality of the information required :

- Change in customer tastes better.
- Opening up global markets to each other.
- Changes in technology, where the world is the result of globalization as a small village which has led to the ease of product marketing and increased competition.
- Rapid changes in the global markets.
- Increased pressure by the facility owners to manage to get high returns.
- Focus on quality and quality.
- Focus on activities.

As a result of the preceding factors, the need arose to the need to provide accounting information systems for information were not previously interested in providing And the need to fit the design of these systems needs of the facility and its operations advanced to assist management in making appropriate decisions in order to succeed and survive and increase competitiveness. (Heitger, Ogan & Matulich, 2006, pp. 264 -265)

As noted above, factors have led to a focus on quality facilities in response to changing customer tastes and changing. therefore, providing an accounting information system for reporting the quality cost of related information has

become an urgent issue, and has become a large proportion of the cost of production, which is estimated by many experts. As shown in a study, for example, the quality cost is mainly 10% to 20% of US company sales. (Polimeni& Others, 2008, p. 443).

Accordingly, we find that many industrial companies have created a department for quality control in an attempt to reduce the defective products, programs are improving the quality can lead to significant savings and higher revenue,

a company Motorola devices for the telecommunications industry, electronics, estimated that it will provide \$ 2.2 billion annually as a result of quality programs, and the value of this savings represents 16.5% of the annual revenues of \$ 13.3 billion in 1992,

Bearing in mind that this company has achieved an income of operation of \$ 576 million in that year and then it without savings from quality programs, this company would have been more than \$ 1.5 billion in losses (Horngern, Foster, and Datar, 1996, p. 1222).

Therefore, we find it important to provide relevant information quality costs by writing reports on these costs. The quality cost of the information itself can be a useful management tool, as leveraging this information can increase the continuity of management controls and lead to knowledge of strategic applications, resulting in better costs (Carr, & Tyson, 1992).

The cost of the quality report shows the high internal and external costs of failure in the case of its existence, Which brings the attention of the establishment to the need to reduce those costs in order to lower the costs of quality and so determined and diagnosed the problems of quality.

The facility can that these reports are also used to examine the interactions between the four quality-related costs and the aforementioned groups,

Add to that the cost of quality study report provides insight into private management when they are compared to trends in these costs over time. In successful quality programs, we find that quality costs should decrease with time.

The importance of preparing and providing accounting information for the reports of quality systems stems from the significant impact of these costs on revenues

And then on the sidelines of the contribution, if we assume that the competitors improved the quality of their products, the property that did not pay attention to improving the quality could suffer from the decline in market share and revenues,

Hence, we find that the benefits of quality are to prevent a decline in revenue or achieve high revenue. Add to that the quality improvement also has a non-financial implications, established The interest earned by improving the quality of experience about the product and its manufacturing process and this experience may lead to lower costs in the future, The high-quality products improve the reputation of the enterprise, which could lead to an increase of future revenues.

It is all of the above we conclude that the introduction of the costs of quality reports in the financial reports provided by the accounting information systems, which is extremely important.

### Measure the Costs of Quality and Reporting

Cost is a method based on the ABC activity of the latest and best techniques that are used to measure accurately the costs of activities, it is the use of the causes or routers Cost Drivers for each activity, and then are loaded production cost of the activities, according to the causes of the cost, So will be the adoption of this method in determining the costs of activities that represent the value chain Value Chain and quality-related.

The value chain sustainable source of information on the costs of activities, including the series of administrative functions or main activities, namely:

- Research and development
- Product design
- Production
- Marketing
- Distribution
- After sales service

It is possible to formulate the following equation to measure the cost of quality (pilgrims and Basile:2001, p. 83):

The total cost of the quality of the cost of prevention = cost assessment + the cost of failure. It can also failure costs from the calculation of the following equation:

Total Cost of Preventing Cost Quality = Cost Assessment + Failure Cost. It can also reduce costs by calculating the following equation:

Total failure cost = internal failure cost + external failure cost + contribution loss margin. Preferably, the design and preparation of a report based on quality cost-related activities prepared by this report will be a powerful tool in the hands of directors, helping to manage activities in the process of improving quality and quality. Those responsible for them can focus on these areas and the most important issues, in addition to providing the necessary assessments for each type of information from the type of failure relative to other species.

It should also be noted the ease of application of this method to prepare a report on the costs of quality and suitability for most installations ( Youde, 1992).

### CONCLUSIONS

The study came to the subject of quality costs and the need to report it and make it one of the important outcomes of the accounting information systems. The quality costs four groups are: prevention costs, appraisal, and the cost of internal failure, and the costs of external failure. And shows the importance of attention to the cost of quality and focus on them, as has become a substantial proportion of the production costs (costs ranging in quality often in many American companies, for example, from 10% to 20% of sales), Improving the quality programs lead to significant savings and higher revenue, as well as non-financial effects to improve the reputation of the facility. The study confirmed the urgent need for the administration to determine the costs of quality and the need for providing accounting information systems to help

improve the continuity of management control, And the statement of the high internal and external costs of failure in the case of its existence, which brings the attention of the administration and its work to reduce by identifying and diagnosing quality problems and reduce their costs in order to improve the quality of products and access to consumer satisfaction. As well as the possibility of using the report to examine the interactions between the four groups of the costs of quality and provide deeper insights to management, especially when trends are compared to these costs over time. As it turns out that the best design and preparation of a report on the costs of quality is the basis of quality-related activities.

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