



# Title: Use of Strategic Management Accounting in the determination of costs in SMEs in the furniture sector

**Authors:** LOMELI-RODRÍGUEZ, Sandra Eva, PELEGRIN-MESA, Arístides, SÁNCHEZ-BATISTA,  
Antonio and TORRES-MORA, Inés Josefina

Editorial label ECORFAN: 607-8695

BECORFAN Control Number: 2021-01

BECORFAN Classification (2021): 131221-0001

Pages: 15

RNA: 03-2010-032610115700-14

**ECORFAN-México, S.C.**

143 – 50 Itzopan Street

La Florida, Ecatepec Municipality

Mexico State, 55120 Zipcode

Phone: +52 1 55 6159 2296

Skype: ecorfan-mexico.s.c.

E-mail: contacto@ecorfan.org

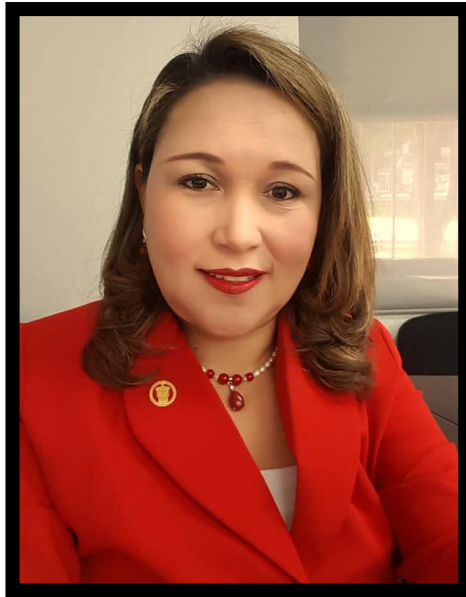
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**Sandra Eva Lomelí Rodríguez**  
*Universidad de Guadalajara*

Mexican researcher, PhD in Accounting and Financial Sciences from the University of Camagüey, Cuba.

Two Masters (MCs), one in Administration (MBA) from the University of Guadalajara and the second in Accounting Information Systems from the University of Oviedo, Spain.

She has a degree in Public Accounting from the University of Guadalajara.

Full-time research professor at the University of Guadalajara with 21 years of seniority, recognized as a CERTIFIED ACADEMIC IN PUBLIC ACCOUNTING by the National Association of Faculties and Schools of Accounting and Administration (ANFECA), she is also a professor with recognition "Profile PRODEP" issued by the Ministry of Public Education in Mexico.

Publications in national and international indexed magazines, in addition to three books published "Sistema de Costos en PYMES"; "Estructura y Capacidad Productiva en el Sector Lechero Jalisciense" and "Evaluación del Impacto de la Información financiera".



# Introduction

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Cost determination in industry of all sizes represents a starting point for the determination of your desired yields. For this reason, accurate costing is of great importance to the management of any economic entity.

We are currently facing the so-called knowledge era, where changes are permanent, so that the colloquially called traditional accounting systems must be reinforced with innovative.

# Objective

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The objective of this research work is to propose to Small and Medium Enterprises (SMEs) dedicated to furniture manufacturing an innovative tool to determine the cost based on a hybrid costing system, a traditional system strengthened with a strategic management technique.

# Methodology

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In order to carry out this research work, a diagnostic analysis of the furniture SMEs was carried out, where information was obtained regarding the characteristics for the determination, measurement, analysis and cost management of these companies.

A diagnostic study was applied to 100% of the companies dedicated to the manufacture of wood furniture in Ocotlán Jalisco, Mexico; registered as members of AFAMO (Asociación de Fabricantes de Muebles de Ocotlán A.C.) at the date of the research. Of the 262 furniture industries that according to INEGI exist in Ocotlán, only seventy are members of AFAMO. This industrial zone was determined as the study universe because it is considered the furniture capital, one of the most influential nationally in this industry.(Lomelí, 2018).

# Background

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In the current era we are living in, the use of technology, the internet and the maturation of globalization, which many authors have called generation 3.0, has intensified, we can observe relevant changes in this regard in all areas, not to mention in the fiscal, economic and financial areas of companies worldwide. In addition to this, the competition among equals at a global level, the management of current electronic information and new forms of marketing. Aspects that Management Accounting cannot remain oblivious to.

# Background

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With this, Accounting can be considered as a Technoscience, defined by Echeverria (2005) as a way of practicing science and technology that emerged in the 80's in the USA (United States of America) and spread to other countries. Technoscience coexists with conventional science and technology since each scientific discovery has a status conditioned by the need for social development and at the same time its impact on Society.

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**ABC-ABM**

LS, AM

**COSTO OBJETIVO (TC)**

**Costos de Calidad ABM, ABC, BSC**

# Costing System using CEMs

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The Cost Management System proposed in this research is based on the conclusion found in the framework according to the needs of the companies under study. The characteristics of the furniture SMEs are very clear, they determine their costs empirically, so by proposing this system they will have a basis for the determination of the cost starting with the determination of the sales price, as the basis of the cost.

# Costing System using CEMs

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Due to their nature and mode of operation, small and medium-sized companies have very peculiar characteristics that are a function of their size, operations and the accumulation of costs, making the use of an Order-Based Costing System interesting and pertinent. The author assumes the criterion that for the Mexican context, the use of this type of system in SMEs is part of the current purposes for these companies to achieve the goals and strategies foreseen.

# Costing System using CEMs

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In these entities prices are calculated based on cost recovery and a certain profit margin, however, why not use market-based pricing systems, also known as Genka Kikaku, Target Cost or Target Cost? In these systems, starting from a price accepted by the market, the company subtracts the desired profit margin, obtaining the cost by difference. This thinking is the one that adapts to the small and medium-sized companies that are the basis of this research. In view of this scenario, the proposal of the "Complete Cost System by Production Orders or Orders using the Objective Costing Management Technique" (SCPO) arises, which is proposed according to the characteristics of the case study companies, an innovative idea that breaks with previous paradigms.

# Costing System using CEMs

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The system runs in nine stages, the proposed procedure is similar to the classic systems and therefore it is not complex but it does require to be detailed. And by including the target cost in the model, the traditional perspective is changed by the Japanese philosophy of customer orientation, to consider that the selling price is determined by the market and in this way it is the customer who conditions the maximum cost to be incurred, which will be achieved with teamwork by joining all efforts to achieve planning and cost reduction.

# Results

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Based on the results of this analysis, the system proposal is presented, which is in the process of validation for its dissemination and, if applicable, commercialization, prior to its registration.

# Conclusions

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The diagnostic study provided the basis for the problem and affirmed that the furniture SMEs did not have a strategic cost management model.

The integration of a CEM tool helps to determine the necessary production volumes and to determine the most suitable mix of items to be produced.

The implementation of an Order-Based Costing System with a CEM approach in small and medium-sized enterprises (SMEs) in Mexico is a disruptive technology that will enable these entities to perform analysis, make decisions and propose increasingly competitive prices.

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