Chapter 6
Throughput Accounting: The Analysis of Managerial Implications on the Tourism Services Market

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ABSTRACT

This chapter presents some aspects of the managerial implications of throughput accounting on the tourism services market in Romania. The main objectives of this chapter are to present a comparative analysis of the managerial implications between the throughput accounting and the managerial accounting methods used by the entities from tourism industry. Based on the literature, the authors present the main theoretical and practical approaches to the throughput accounting, its principles, and correlations with various theories and methods. The throughput accounting contributes substantially to the managerial decision regarding the financial reporting of the entities providing tourism services. All the aspects presented by the authors are based on the international literature, university, and specialized studies within the providing tourism services entities. This chapter will contribute to widening the theoretical and practical debates on the implementation and benefits of throughput accounting within tourism services entities.

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INTRODUCTION

In 1990, Goldratt introduces for the first time throughput accounting concept in accordance with theory of constraints (TOC), developing new applications and techniques, in order to improve company profit (Goldratt, 1990; Watson et al., 2007).

In order to improve the enterprise profitability managers found a way that simplified accounting approach known as Throughput Accounting (TA). Relatively new in management accounting, throughput accounting was created by Eliyahu Moshe Goldratt (1984). TA detects elements that boundaries a company from attaining its goal, and then concentrates on measures to enhance company profitability and returns (Rahman, 1998).

Throughput accounting represents an alternative to traditional cost accounting, focuses on generating more throughput. Today cost accounting is all about long term yield management and efficiency, and considers companies in connection with the economic and social environment (Jasinski et al., 2015). Throughput Accounting represents the solely management techniques that regards constraints as elements limiting the company’s profitability (Hilmola & Weidong, 2016).

In our days everywhere you look we are confronted with threats and menaces, and from multiple sources. First, organizations must have in their foreground the suppliers and second the demand, both elements of uncertainty. The transparency represents a key element in achieving goals inside a company (Topor et al., 2017). Costs and revenues are difficult to estimate in the light of incertitude (Şimşit et al., 2014; Duff, 2017; Picard, 2016). For this, the profit is put under the magnifying glass of insecurity (Hilmola & Gupta, 2015). Căpușneanu et al. (2015) claims that senior director’s pay and acquire computer and accounting systems able to indicate what short-term decisions to take with long-term positive effects.

The management strategy and throughput accounting represents domains of theory of constraints that needs software’s systems technology, and software’s checking outgrowth (similar to yield management informatics tools); (see: Tsou, 2013), and project management (Mabin & Balderstone, 2003).

‘Throughput’ is defined as sales revenue less materials and services purchased outside the company which relate to products sold. ‘Operational expense’ covers the cost of conversion including all employee time. The Goldratt Institute now defines ‘throughput’ as revenue less totally variable costs (Noreen et al., 1995). Throughput accounting relates what actually occurs in business areas like distribution, operations and marketing, and one of the most important aspects of Throughput Accounting is the relevance of the information it produces (Souren et al., 2007; Linhares, 2009; Okutmuş et al., 2015; Picard, 2016; Huber et al., 2018).
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