

ACCOUNTING INFORMATION ON FLEXIBILITY

by

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*Carolina Koornhof*

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## Abstract

Recent research has shown that flexibility is an essential characteristic of successful enterprises in a highly competitive and rapidly changing business environment. Management and accountants should not only understand flexibility but also be able to create flexible organisations and measure the flexibility levels and mixes. Flexibility is however a nebulous, elusive and multidimensional concept which is poorly understood and seldom measured and monitored in organisations.

The aim of this research is to define the construct flexibility, to demarcate its borders and to propose a framework which explains its multiple attributes in organisations. The framework is then used as a basis to develop flexibility measures and indicators for management and accountants to identify current levels of flexibility, determine flexibility targets, monitor progress in meeting targets and signal direction. It is suggested that the accounting information system can be used as the means of recognising, measuring and communicating information on flexibility to stakeholders of organisations. The introduction of information on flexibility into Accounting may also serve to address some of the criticism levelled at accounting discipline. This may result in Accounting becoming more flexible and able to adapt to the changing demands of a competitive business environment.

## Opsomming

Onlangse navorsing dui daarop dat buigsaamheid 'n noodsaaklike eienskap van suksesvolle ondernemings in 'n hoogs mededingende en vinnig veranderende sakewêreld is. Bestuur en rekenmeesters moet derhalwe nie net buigsaamheid verstaan nie, maar ook buigsame ondernemings kan skep en buigsaamheidsvlakke en -kombinasies kan meet. Buigsaamheid is egter 'n vae, moeilike omskryfbare en veeldimensionele konsep wat swak verstaan word en selde in ondernemings gemeet word.

Die doel van hierdie navorsing is om die konstruk buigsaamheid te definieer, die grense daarvan te identifiseer, en 'n raamwerk daar te stel wat die veelvuldige eienskappe van buigsaamheid in ondernemings verklaar. Die raamwerk word dan gebruik as 'n basis vir die ontwikkeling van buigsaamheidsmaatstawwe en -aanduiders wat bestuur en rekenmeesters kan gebruik om huidige vlakke van buigsaamheid te identifiseer, buigsaamheidsdoelwitte daar te stel, vordering in die bereiking van hierdie doelwitte te monitor en rigting aan te dui. Daar word voorgestel dat die rekeningkundige inligtingstelsel gebruik kan word as die middel vir die erkenning, meting en kommunikasie van inligting oor buigsaamheid aan belangegroepe in ondernemings. Die bekendstelling van inligting oor buigsaamheid in Rekeningkunde mag ook bydra om sommige van die kritiek teenoor die rekeningkundige dissipline aan te spreek. Dit kan daartoe lei dat Rekeningkunde meer buigsaam word en dus beter in staat is om by die veranderde eise van 'n mededingende sakewêreld aan te pas.

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**List of abbreviations**

AC	Accounting Standard
APB	Accounting Principles Board
AICPA	American Institute of Certified Public Accountants
AIMR	Association for Investment Management and Research
CAD	Computer aided design
CAM	Computer aided manufacturing
CICA	Canadian Institute of Chartered Accountants
CIMA	Chartered Institute of Management Accountants
DCF	Discounted cash flow
DM	Discussion Memorandum
DP	Discussion Paper
ED	Exposure Draft
EEC	European Economic Community
FAR	Flexibility Audit and Redesign
FASB	Financial Accounting Standards Board
FMS	Flexible manufacturing systems
GAAP	Generally Accepted Accounting Practice
IAS	International Accounting Standard
IASC	International Accounting Standards Committee
IFAC	International Federation of Accountants
ICAEW	Institute of Chartered Accountants of England and Wales
ICAS	Institute of Chartered Accountants of Scotland
JIT	Just in Time
MNE	Multinational Enterprises
MIS	Management information systems
R&D	Research and Development
ROI	Return on Investment
SAICA	South African Institute of Chartered Accountants
SBU	Strategic Business Unit
SEC	Securities and Exchange Commission
SFAC	Statement of Financial Accounting Concepts
SFAS	Statement of Financial Accounting Standards

## List of definitions

**Accounting** refers to the accounting discipline, theory and practice, the accounting information system and the profession. It includes both Financial Accounting and Management Accounting.

**Corporate reports** refer to financial reports drafted for external and internal users within the organisation.

**Financial reports** refer to the financial statements and other reports such as the directors' report, the chairman's report, the employee report, social report and value added statement, drafted for external users.

**Financial statements** refer to the balance sheet, income statement, cash flow statement and notes to the financial statements.

**Flexibility** is the process of being aware, responsive, willing and able to take action to reposition the resources and functions of the organisation in a manner consistent with the evolving vision, strategies and goals of management as they respond proactively or reactively to new information on foreseen and unforeseen change in the organisation and its environment.

**Indicators** refer to financial and non-financial measures which are measured in figures. It thus excludes qualitative information.

**Measurement** refers to the allocation of figures or values to attributes used in an accounting context. It includes both financial and non-financial measurements.

**Measures** are used in a broad context to include ratios, indicators, targets and qualitative descriptions.