Cost Accounting as a Source of Management Information in Units of the Territorial Self-Government

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Abstract: Cost accounting is a branch of accounting which deals with the topic of determining costs of the activity conducted by economic entities. The information concerning the costs of the performed activity has a significant meaning while managing the unit of the territorial self-government as well as increasing the rationality and effectiveness of public expenditure. Currently communes mainly focus on spending public funds in accordance with the law and fulfilling reporting duties within the scope. The aim of the article is an attempt to indicate the role of cost accounting in providing information that aims to increase the effectiveness of the public spending.

Keywords: cost accounting, commune, efficiency, information

Introduction

Aiming at improving the economy and efficiency of using public funds does not lie within the scope of interest of basic units of the local self-government. This occurs for many reasons. One of them is due to a lack of proper information systems providing full and reliable information for management purposes. It also concerns the costs, the accounting of which in communes is focused on generating information for the purpose of obligatory reporting.

The aim of this article is to attempt to indicate the role of cost accounting in providing information that aims to increase the effectiveness of the public spending. To this end, the analysis of the subject literature and legal acts was conducted. Some empirical research was also carried out in the
communes of Siedlce and Ostrołęka’s subregions, the purpose being to get to know the opinions of the heads of communes, treasurers and secretaries concerning the significance of cost accounting in increasing the efficiency of the activities of the units under their management.

Efficiency of communes

As mentioned at the beginning, the need for public funds expenditure to be subjected to the efficiency conditioning, which may be defined as a relation between the costs (spending) and the achieved effects (the quantity of the public good). Despite the fact that most of the information included in the writings is of a postulatory character, it can be treated as the indication of a novel approach to the subject of the effective spendings of the public funds (Kachniarz, 2013).

The subject literature does not provide a unified approach concerning the way of defining efficiency. Beginning with the topic of efficiency, it is necessary to quote a definition formulated by V. Pareto who stresses the condition for efficient resource reallocation, wherein the condition is fulfilled if there is no possible resource reallocation, which will make at least one person’s situation better without making at least one individual worse off (Stiglitz, 2004). The condition formed by the definition is extremely difficult to fulfill in reality, which results in the limited possibility of applying it in order to conduct analyses on the efficiency of the basic units of territorial self-government. (Skica, 2012). Kaldor-Hicks claims that efficiency occurs when one individual gains more than the other one loses. At the same time there is a concept that those individuals that are made better off could in principle compensate those ones that are made worse off. (Buchanan, Tullock 2004, Skica, 2012).

The considerations presented above allow us to distinguish a common relation between the costs and the effects. This relation was used in Farrell’s efficiency measure, which deals with two approaches to define efficiency. The first one consists of maximizing the results at a given input, whereas the other one describes efficiency as minimal input necessary to achieve the set goals (Farrell, 1957). On the basis of the definition, A. Charnes, W. Cooper and E. Rhodes (1978) formulated a definition of efficiency of the public finance sector. According to this definition, a full efficiency is obtained by a decision-making unit only when no position of the used input and the achieved results
can be improved without making other inputs or results worse (Kozuń-Cieślak, 2011).

While analyzing Polish literature concerning efficiency, it can be stated that it is often identified (and applied alternatively) with such terms as effectiveness, productivity and profitability. D. Perło, M. Poniatowicz and M. Salachna (2010) claim that using notions of efficiency and effectiveness interchangeably is incorrect. The authors indicate that efficiency should be understood as a relation between the input and the effect, whereas effectiveness ought to refer to the level of the achievement of the set goals. According to Lubińska, efficiency can be determined as a relation between goods (services) provided by the fulfilling of one specific task, and those resources (inputs) that are used to produce them (Lubińska 2010). A similar opinion is expressed by Modzelewski (2009). According to Misiag, efficiency may be defined as a state of acceptable relation between costs and the effects of using them, after the evaluation which, the options of using public funds brings the best results while performing tasks (Stankiewicz, 2006). Poland’s Chancellery of Prime Minister expresses the belief that efficiency in commune managements concerns the measurement of the relation between products and inputs. That means that efficiency concerns an evaluation of the degree of the success in providing defined products at the lowest cost, maintaining a required quality. Efficiency, according to The Chancellery of the Prime Minister, is defined as a relation between the product and the results. This concerns the degree of the achievement of the objectives pursued and indicates if the delivered products contribute to the implementation of priorities and goals of public authorities. Effectiveness, on the other hand, is a relation input-result and concerns the level of the achievement of the set goal, and determines if the incurred expenditure allows to implement goals of a unit. The status of efficiency and effectiveness principles in public spending is emphasised by existing legal acts in Poland. Pursuant to the Public Finance Act of 27 August 2009, public funds should be spent intentionally and economically, taking into account the principle of efficiency (achieving the best results from given resources) and effectiveness (optimal choice of methods and measures in meeting objectives). Authors dealing with the problem of public finance, as emphasised above, have been advocating that efficiency and the use of public funds are the basic criteria in relation to which other criteria will be secondary (Owsiak 2008). The postulate indicates clearly that the existing criterion, the purpose based on legalism, does not eliminate...
mismanagement. A. Szewczuk claims that we should aim at overcoming barriers making rationalisation of public expenditure difficult, indicating in turn that it is necessary to eliminate the belief which functions in the public sector that overcoming the reality within the scope is a utopian notion (Szewczuk, 2007, Kachniarz, 2013). The author also recognises the need to look for new parameters and to and improve the existing ones allowing for the application of valuation procedures concerning the activities of local self-government (Szewczuk, 2010). Despite the passage of time, there have been no changes in numerous units of territorial self-government. Still, the main criterion for spending public funds is their compliance with paragraphs, division of budget classification. To make the processes of the spending of public funds be subject to requirements of economic efficiency, it is necessary to introduce significant changes concerning the methods of financial planning, the classification of expenditure goals and measurements of actually achieved effects, incurred costs, including the development and implementation of the system of qualitative and quantitative parameters of the task fulfilment (Pomorska, 2007).

Summing up the deliberations of the quoted authors concerning efficiency, it should be confirmed that efficiency cannot be analyzed only with regard to the amount of the resources which are spent. Purpose, as well as achieved results, in the context of public service should also be taken into account. The evaluation of the efficiency of public spending ought to be strictly connected with determining the relations between the level, the structure of the resources spent, and the real benefits obtained by society as a result of the expenditure (Jastrzębska, 2016; Szołno, 2017). Efficiency means achieving set goals, bearing in mind the fact that it is necessary to maintain the best relation between costs and the achieved effects.

Effectiveness, on the other hand, is obtaining set goals, which makes expenditure a secondary issue. Some systems define effectiveness as activities aiming at achieving goals by any means (Świeraboda, 2014).

In order to be able to implement all the postulates formulated by the authors above, it is necessary to introduce new management methods and instruments which may include: multi annual planning, internal audits, multi annual financial forecast, managerial control, activity-based budget and participatory budget (Poniatowicz, Dziemianowicz, 2017). They allow for the measuring of the efficiency of fulfilled tasks and the evaluation of the level of society satisfaction with the provided goods and services (Filipiak, 2011). It needs to be emphasized here that among all the mentioned management
instruments, the absolute minimum which must be fulfilled in order to implement the measurement of the efficiency of the costs is the change in the mechanism of budgeting. There is a need for a shift from the existing budget administration to an activity-based budget.

An activity-based budget, unlike the traditional one, emphasizes not only the allocation of public funds, but also the evaluation of the efficiency and effectiveness of the implemented public tasks, to which the funds were allocated (Szołno, 2017).

In order to be able to apply the activity-based budget, units of the local self-government should adjust the accounting system to its needs. The system ought to provide information concerning occurring management processes, services and total costs connected with their execution. Without the constant provision and processing of information, the system would not support the functioning of a unit. Only a full, reliable and credible information is the basis while making all the decisions. It is essential to agree with O. Szołno (2017), who states that there is a need for the increase in the role of the system of budgetary and management accounting in the units of local self-governments, to include the appropriate cost accounting.

Cost budgeting

The subject literature defines costs as a cash (value) reflection of the intensity of human labour and objectified labour, occurring due to the activities of an economic unit (Jaruga, 1979). The connection between costs and economic activity indicates the purpose and equivalence of the consumption. This explains why costs should be defined as a valuable, purposeful use of tangible and intangible resources and human labour; as well as incurred expenditure, which does not reflect the consumption, incurred over a period of time in order to achieve present and future benefits (Wakuła, 2013). Therefore, costs are the category which is acknowledged socially and economically (Burzym, 1971), and each economic activity requires to undergo a constant control and evaluation (Kożuch, 2013). The process, aimed at determining the costs of conducting an activity consisting of evaluation of the value of the used resources of a given organisation, is referred to as cost accounting (Nowak, 2003).
Cost accounting was established in the enterprise practice during the industrial revolution. Its basic task included the calculation of the real and full cost of one product (Nowak, 2015).

Cost accounting is a relatively selected subsystem of the information system of accounting for an economic unit, in which there is the processing of information in accordance with the accepted model.

Scientific writing concerning cost accounting provides numerous definitions of the notion. The first and the most detailed one was given by Z. Fedak (1962), according to whom, cost accounting includes all the activities aimed at reflecting the processes of supply, production and sale occurring in the enterprise via collecting, grouping and interpreting in accepted sections. In turn, the costs of producing and selling products made by the activity of the enterprise are measured quantitatively and by their value over a particular period of time in order to achieve the most versatile information necessary to establish the results and to manage the enterprise or its team. Cost accounting is also defined by J. Matuszewicz (1994) in a similar way. He reckons that cost accounting consists of all those activities looking to establish in various sections and aspects, a level of intensity of human labour and objectified labour occurring in an enterprise over a particular period of time and with a specific purpose.

A modern definition of cost accounting was formulated by M. Walczak and M. Kowalczyk (2010), according to whom it is a process in which research and transformations concerning information on the costs of organizations serving users to evaluate the situation, make economic decisions, and control their execution are conducted in accordance with the accepted model.

A particular usefulness of cost accounting in the management process is emphasised by D. Sołtys. Who claims that cost accounting is a collection of information on costs developed according to a specific model adjusted to information needs of information users selected from the information system of an economic entity. Costs calculation and their transformation conducted in cost accounting aim at enabling users to evaluate the situations when decisions are to be taken, making decisions and control of their execution. (Perwszy-Kwinto, 2010).
While analysing the presented definitions, it may be possible to indicate characteristic features of cost accounting. They include:

- the purpose of carrying out cost accounting - providing policymakers with information necessary to evaluate the situation, make decisions and control their execution,
- object of cost accounting - economic processes taking place in a unit,
- subject of cost accounting - an economic unit,
- methods of cost accounting - recognition, grouping, transformations and interpreting,
- periodical presenting and interpreting financial aspects of economic events,
- using natural units along with financial meters.

The most important elements of cost accounting include: records of costs, settlement of costs, calculation of unit costs as well as documentation, planning, cost analysis and reporting. Therefore, it can be stated that cost accounting provides multisectional information enabling the acquisition of knowledge on the level of ex ante and ex post costs.

In communes, the main task of cost accounting is to provide information characterising costs in the sections which are useful for the needs of managing their activities, and particularly in terms of managing the execution of tasks, and controlling and conducting economic analysis of the achievements in an effective and rational way.

The necessity to meet various information demands with the use of cost accounting led to the situation in which a lot of its types and varieties came into existence (Nowak, 2001).

Initially, the business practice developed absorption costing (full-costing) and variable costing. At the end of the 20th century, new concepts of cost accounting came into existence, including activity-based costing and target costing.

The main feature characterising absorption accounting is the division of all the costs incurred in a particular organizational unit into direct and indirect ones. This type of cost accounting is used most frequently in a basic unit of territorial self-government. At that moment, it is necessary to disagree with the statement of G. Bucior, who claims that in the system of budgetary tasks of units of territorial self-government, full-costing is the one which fulfills information needs to the greatest extent. Although it allows the communes to carry out their duties concerning obligatory reporting, the usefulness of the
information derived from it for management purposes is limited. Basic units of the local self-government draw up a profit and loss account in a comparative version, which is the consequence of the existing obligations covering cost accounting (so-called accounts under group 4). This results in a lack of information concerning particular types, varieties of economic activities and organizational segments and costs of the performed tasks. Some information shortages may be eliminated by introducing cost entries in the charts of accounts 5 (Wakuła, 2013). It does not change the key problem resulting from the nature of full-costing, i.e. the obtained cost of the delivered public good will be averaged in case they are diverse at a high share of indirect costs in total costs.

Taking into account the specifics of the activities of units of a local self-government, it may be stated that applying variable costing, activity-based costing and target costing for management purposes in units of the local self-government is reasonable.

Variable costing is a type implemented by units of territorial self-governments, and particularly segment reporting (Rokita, 2018). In this type of costing, all costs can be described as either fixed costs or variable costs. The form of establishing costs of the product is only based on variable costs of its production. This kind of cost accounting is connected with the contribution margin, which informs what value is left in terms of revenue from the sale after subtracting the variable costs to cover the fixed costs and generated profit (Nowak, 2009, Rokita, 2018). The usefulness of the contribution margin in units of the local self-government is strongly limited. However, knowledge about the way in which costs react to changes in the scope of activities must be considered a significant item of information derived from this type of accounting. Cost accounting may be used while evaluating responsibilities for costs. It is known that decision-makers have a completely different influence on variable costs than on fixed ones.

Activity-based costing was created to redress the imperfections of full costing, allowing for the review of incurred costs in an organization: giving wider possibilities to analyse them and indicating the sources of their formation, which may contribute to a lowering of the costs. This type of accounting concentrates on a more detailed indirect cost entry, whereas direct costs are still recognised in the products and services on the basis of documentation (Sadowska 2015). Owing to activity-based costing, it is possible to reveal and evaluate the existing and anticipated costs of activities and
processes. This contributes to the fact that it is possible to conduct a more detailed calculation of the costs of the production and profitability of particular products, services to clients and operational units (Kaplan, Cooper, 2002) in comparison to traditional cost accounting. Adaptation and implementation of activity-based costing in units of the local self-government is a reply to more and more common need for the reduction of activity costs without the necessity to lower the quality of services.

There has been a noticeable increase in the uptake of activity-based costing and the possibilities of its implementation since the time that activity-based budgeting was introduced for the purpose of increasing efficiency of the use of public funds. Despite the fact that units of a local self-government do not have to draw up an activity-based budget, some of them do so voluntarily. Regardless of the type of created financial plan in units of the territorial self-government, activity-based costing undoubtedly provides a lot of valuable information for management purposes. Using its assumptions in units of the local self-government may be a good solution, taking into account the fact that there are going to be changes introduced pertaining to activity-based costing (Wakuła, 2013). It should be emphasised that the biggest benefit of the use of activity-based costing is the possibility to get to know not only the costs of the supplied public good but also their components, i.e. such activities that are necessary for their creation. According to A.J. Kożuch, it is extremely significant in the case of subjects using public funds as it requires compliance with the discipline of spending, and so as to limit misuse (Kożuch, 2010).

The possibilities of taking into account the demand reported by prospective stakeholders and bearing in mind their needs in the process of cost calculation are also stressed by target costing. R. Cooper was the first to define target costing in 1992. According to Cooper, this model of cost accounting is a method based on establishing the costs of the production of a product so as to enable an economic entity to achieve the targeted level of profit. T. Tanaka, on the other hand, defines target costing as an effort required in a form of planning and designing the new product which aims at achieving a particular level of the production costs previously determined by the management. The definition directs that target costing is not only a method of calculating costs but also a management tool aimed at cost reduction. Similar definitions of target costing are provided by Y. Moden and K. Kamada, according to whom, it is a system supporting the process of cost reduction, which is applied during
planning, designing of a new product and preparing changes concerning products offered on the market.

On the basis of the mentioned definitions, it may be stated that target costing applies a completely different approach to cost establishment and the prices of new products. With more traditional methods, costs were determined during the production phase on the basis of the actual use of resources (Sobańska, 2002). In such a case, costs are the initial value and are the starting point to determine the sale price and calculate the level of profitability. However, in target costing, costs of the products are variable and depend on two categories: sale price and the level of targeted profit. In the units of a local self-government, following the specifics of the activities, the relation should be the answer to the question: what can be and what should be the cost of production for the organization to fulfill the needs of stakeholders at the highest possible level, at a guaranteed relatively low-cost level in the whole life-cycle of offered public services (Kożuch, 2012).

The presented deliberation may conclude that cost accounting is an essential element of the system of economic information in each economic entity. Existing models of cost accounting are subordinated to the particular informational needs of stakeholders of economic entities. At the same time, they fulfill the need for information resulting from various decision-making situations.

Results and discussion

In order to fulfill the objective of the article, empirical research was conducted in communes of Ostrołęka-Siedlce subregion. The choice of the area was dictated by their specifics. They are part of the Masovian province described as the voivodship of the greatest contrasts. General indicators calculated for the whole province do not reflect the real situation in the studied subregions. To characterise the studied subregions, the following features were selected:

- Total income in PLN per capita,
- The number of economic entities
- The number of inhabitants,
- Population per km$^2$,
- The area in km$^2$. 
Analyses on the basis of the above features were conducted using standard measurements: minimal and maximal value, the median, variation coefficient. The results are presented in Table 1.

**Table 1.** Characteristics of the studied communes

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>N</th>
<th>Me</th>
<th>Min</th>
<th>Max</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income in PLN per capita</td>
<td>88</td>
<td>4294,40</td>
<td>3630,22</td>
<td>6660,16</td>
<td>9,6%</td>
</tr>
<tr>
<td>The number of economic entities</td>
<td>88</td>
<td>622</td>
<td>194</td>
<td>7801</td>
<td>115,1%</td>
</tr>
<tr>
<td>The number of inhabitants</td>
<td>88</td>
<td>5276</td>
<td>1679</td>
<td>22656</td>
<td>61%</td>
</tr>
<tr>
<td>Population per km²</td>
<td>88</td>
<td>40</td>
<td>19</td>
<td>1071</td>
<td>201,6%</td>
</tr>
<tr>
<td>The area in km²</td>
<td>88</td>
<td>119</td>
<td>10</td>
<td>371</td>
<td>45,6%</td>
</tr>
</tbody>
</table>

Source: Own elaboration on the basis of the data from Local Data Bank

On the basis of the data presented in Table 1, it is possible to state that half of the studied units achieve income per capita at 4294,40 PLN and lower. The lowest income per capita amounted to 3630,22 PLN and the highest – 6660,19 PLN. The lowest number of economic entities in a commune was 194 and the highest - 7801. Half of the studied communes have at least 5276 inhabitants. Maximal number of inhabitants in one of the studied communes amounted to 22656. The lower area of the commune in Ostrołęka-Siedlce subregion is 10 km².

While evaluating the diversity of the presented characteristics in the studied communes using the coefficient of variance for measures of location, we can state that nonuniform features of the analysed communes include: population per 1 km² 201,6%, the number of economic entities 115,1%, the number of inhabitants 61% and the area in km² 45,6%.

The conducted research was addressed to the heads of communes, treasurers and secretaries. It aimed at acquiring knowledge pertaining to the applied methods and accounting tools implemented in order to increase the efficiency of managing available resources. 89 surveys were conducted and the responses were provided by 15 secretaries and 73 treasurers (only in one commune was it possible to carry out a survey both with the secretary and...
the treasurer). Heads of the communes, when asked to answer the questions in the survey, delegated the task to secretaries pointing at their competence.

The respondents were first asked about the development of their professional careers. On the basis of the research, it can be stated that 86% of the secretaries had worked in the public sector at the beginning of their careers, the others started their professional path in the private sector. Analysing the work experience of the secretaries, it can be pointed out that 67% of them were connected with the public sector at the beginning of the career. The other 33% worked in the private sector before the started work in communes. It may have an influence on the process of dissemination of solutions and tools from the private sector to the public one.

In order to be able to increase the efficiency of the use of the budget assigned, it is necessary to introduce new management methods and instruments. The absolute minimum within this scope is the implementation of the activity-based budgeting. It will provide units of the local self-government with clear information concerning the allocation of the public funds. It is a financial plan understandable for everyone; owing to which the individuals implementing it will know what budget resources are allocated to what. Unfortunately, in the communes of Ostrołęka-Siedlce subregion, the model is underestimated. 90% of the communes still use traditional budgeting methods. There is also another alarming phenomenon: among local self-governments conducting economic activity on the basis of the traditional model of budgeting, only 2 units are willing to implement activity-based on short-term budgeting. This means that both commune authorities and the treasurers of these communes notice its positive sides and understand the significance of the efficient spending of public funds. It should be emphasized that the treasurers of these communes began their career paths in the private sector. Thus, the result is that they know the significance of the efficient use and management of the funds which are available to them.

Interesting results are also provided by an analysis of the statements from a commune from the Siedlce district where the answers were given both by the treasurer and the secretary. The particular commune does not apply modern management methods. The treasurer is against their implementation, whereas the secretary supports the basic principle. This may indicate a low level of awareness or commitment on the part of the commune accounting officer to embrace efficient and effective task execution.
While analysing activity-based budgeting, taking into account the type of the unit of the local self-government, it may be stated that mainly rural communes implemented it. The level of income per capita in the units is not the highest. Therefore, the statement expressed by many local self-government officials: that activity-based budgeting should be implemented only in wealthy communes, ought to be criticised. They claim that units with a low level of income do not have enough funds for trainings and the support of consultants. Such an approach might have been justified a few years ago. Nowadays, however, drawing up an activity-based budget is much easier since the websites of units of local self-governments are full of ready-made models of this type of budgeting and there are better and more and more practical publications in the publishing market. Moreover, there exist broader possibilities for achieving financial support concerning the preparation of such a financial plan.

In order to implement the described management tool, it is essential to adjust the accounting system to its needs. It should provide full and reliable information for management purposes. The only important information generated by the system is the information about the incurred costs. It is important to conduct rational financial measures in line with the implementation of effective management. To obtain the information, it is necessary to broaden the existing scope of the costentry. Communes draw up profit and loss accounting by using a comparative option. Thus, it is essential that the costs should be accounted by nature. This fact is confirmed by the conducted research. As many as 54 units apply only and solely accounts under group 4 for cost records. In 17 communes, budget accounting is carried out only from the perspective of budget reporting, and in 3 of them, the secretaries could not determine the way of cost records. Despite the fact that it is obligatory to draw up a profit-and-loss account in a comparative form, the legislator does not forbid the recording of costs in a functional way. The Ordinance of the Minister of Development and Finance of 13 September 2017 on accounting and plans for accounts of the state budget, budgets of the units of the local self-government, budget entities, local budgetary entities, state-run specific purpose funds, as well as public budgetary entities established outside the territory of the Republic of Poland, provides a list of accounts 5, which enable costs to be grouped according to place of their incurrence, which in turn makes calculating costs easier. Thirty-six communes of the Ostrołęka-Siedlce subregion apply costs which are recognized by nature and by function.
None of the analysed units uses only the ’by function’ model. The result is alarming, and means that only 35% of the studied communes apply multi-sectoral costentries. It also confirms the fact that very few respondents were aware of the information capacity of the entry. Comparing the results of the research conducted by B. Filipik in 2008, it is important to emphasize that awareness of the significance of the information has been growing over the years. The analyses mentioned above show that only 3.8% of the units of the local self-government took into account the division of costs into types of the conducted activity.

The studied communes evaluate the level of budget execution by way of an analysis of the actual costs incurred and the generated profits (93%). As many as 57% of the basic units of the territorial self-government apply calculations based on the unit cost of production. The other units do not use and are not willing to use such a tool.

As mentioned in the theoretical part of the article, the authors see the need for an increased prioritising of budgetary and management accounting, to include cost accounting. Unfortunately, these are only postulates at present. Hardly any of the studied communes apply the model of cost accounting (Table 2).

Table 2. The use of cost accounting (ca) in the studied communes

<table>
<thead>
<tr>
<th>Type of cost accounting</th>
<th>The number of communes which apply ca</th>
<th>The number of communes which do not apply ca and do not want to</th>
<th>The number of communes which do not apply ca but are willing to</th>
<th>No information concerning the implemented ca</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target costing</td>
<td>24</td>
<td>61</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Activity-based costing</td>
<td>32</td>
<td>50</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Variable costing</td>
<td>16</td>
<td>68</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Own elaboration on the basis of the conducted research

On the basis of the data presented in Table 2, it can be claimed that the costing which is applied by the greatest number of communes is activity-based costing. Owing to this fact, communes will be able to apportion indirect costs to objects of calculation. It should be noted that among 32 studied units of the local self-government applying activity-based costing, only 4 record costs by
function. The other communes use only and solely the ‘by nature’ model. The positive fact is that these 4 analysed units are willing to implement activity-based costing. It may be applied not only in the case of calculating activities and activity-based budgeting, but also in determining the real costs of the services provided by the commune.

Conducted analyses indicate that the methods and tools aimed at increasing the efficiency budget appropriations are applied in the studied communes to a limited extent. It ought to be emphasised that respondents mentioned reduction and a better cost control as the most important benefit of the implementation of cost accounting (Table 3).

**Table 3. The benefits of cost accounting**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Number of communes</th>
<th>Percentage of the studied communes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better reduction and cost control</td>
<td>76</td>
<td>86%</td>
</tr>
<tr>
<td>Better quality of the provided services</td>
<td>65</td>
<td>75%</td>
</tr>
<tr>
<td>Increase of credibility of an institution</td>
<td>64</td>
<td>74%</td>
</tr>
</tbody>
</table>

Source: Own elaboration on the basis of the conducted research

On the basis of the data presented in Table 3, it can be claimed that representatives of the studied communes also indicated a better quality of the services provided by the units as another benefit of cost accounting, and lastly - the increase of the credibility of an institution. The results of the analysis are encouraging on the one hand as they may result in the implementation of cost accounting in the future. On the other hand, however, after analysing the responses about barriers concerning the introduction of the instruments, the answers of the respondents of 6 units should be pointed out (7% of the responses). They indicated that the unwillingness to implement cost accounting was caused by lack of possibility of its practical use. As the main obstacles, they mentioned lack of time (35% of responses). They also indicated lack of financial resources but less frequently.

**Conclusions**

Efficiency is the main rule of use and management in each business entity. Due to that fact, basic units of the local self-government should wish to
improve the efficiency of all the activities as an essential condition for the development. To be able to achieve that, there is a necessity to search for new solutions in this regard. One of them is to implement cost accounting whose significance increased while applying activity-based budgeting. It is, undoubtedly, the most important area of the modern management accounting. Economic entities, including basic units of the local self-government, which want to keep up with the emerging competition have to take into account additional costs as a result of undertaken activities. Therefore, costs should be recognized both retrospectively and prospectively (Nowak, 2015).

Cost control ought to be one of the priorities of the management of a particular business entity. It comes down to the fact that it should be done in such a way to achieve a maximal value of resources of a given subject at minimal costs incurred. It is only possible if appropriate information is available. It is cost accounting that provides such information. Unfortunately, the significance of cost accounting as well as other instruments of management accounting in basic units of the local self-government is marginal. The conducted research allowed us to draw the following conclusions:

- 90% of the studied communes did not implement activity-based budgeting, which is the minimal requirement to measure and increase efficiency of the available resources.
- The calculation of the level of budget execution is carried out by calculating and analysing actually incurred costs.
- On average, 27% of the studied communes use cost accounting in their business activity. The most frequently used one in the analysed units is activity-based costing.
- 86% of the studied communes claim that better reduction and cost control are the main benefits of using cost accounting. It is a positive phenomenon which may lead to the implementation of this segment of management accounting in the future.

There is no doubt that the studied units of the local self-government do not pay enough attention to the use of information on costs and cost accounting applied by them is only used in order to generate information for the needs of obligatory reporting. The conducted research confirms the fact that the communes do not show the tendency to improve their information systems, which would be able to provide full and reliable information used in the management process. Only few communes declare to implement a selected model of cost accounting in the future.