

BUSINESS PROCESSES, COSTS AND SEGMENTS: CURRENT PRACTICES OF MANAGEMENT INFORMATION FORMATION

Eshniyazova Yulduz Yuldashbayevna

Independent Researcher,

Karakalpak State University named after Berdakh

E-mail: yulduzyuldashbayevna12@gmail.com

Abstract

The thesis examines current practices of forming management information in the dimensions of business processes, costs and segments. Four recurring weaknesses of existing practice are identified, and a seven-layer management accounting and analytical system integrating accounting processes within a single information space is proposed.

Keywords: management information, business processes, cost dimensions, operating segments, seven-layer system, single information space.

In contemporary enterprises, management information is produced by several loosely connected sources: the accounting system, production and warehouse modules, budgeting spreadsheets and ad hoc analytical files. Each source maintains its own classifiers, periodicity and level of detail. As a result, the same economic fact appears in several places with different values, and reconciling them consumes a substantial share of the finance function's working time.

The fragmentation becomes most visible when information is required simultaneously in three dimensions. The process dimension answers the question of where value is created and consumed; the cost dimension answers what the output costs; the segment dimension answers which part of the business earns the return. In practice these dimensions are maintained in separate systems that cannot be aggregated without manual intervention. Analysis of current practice reveals four recurring weaknesses. **First, multiple registration:** the same transaction is entered manually into several systems, so discrepancies arise at the point of entry rather than at the point of calculation. **Second, incompatible classifiers:** cost centre, product and segment reference books are maintained separately and are not mapped to

one another. **Third, loss of the process dimension:** costs are collected by department rather than by activity, which conceals where resources are actually consumed. **Fourth, the break between reporting and control:** deviations are calculated but not linked to a responsible person or a follow-up action.

These weaknesses have a direct consequence for financial reporting. IFRS 8 “Operating Segments” applies the management approach: reportable segments are identified on the basis of internal reports reviewed by the chief operating decision maker, and segment amounts must be reconciled with the financial statements. Where the internal information architecture is fragmented, this reconciliation becomes a year-end exercise performed manually rather than a property of the system.

To overcome the identified weaknesses, a seven-layer management accounting and analytical system is proposed (Table 1).

Table 1. Layers of the management accounting and analytical system

Layer	Function	Key control point
1. Source registration	Single-point capture of the transaction	Authorisation of the data owner
2. Identification	Unique identifier and analytical attributes	Completeness of mandatory attributes
3. Measurement	IFRS recognition and measurement rules	Reconciliation with the general ledger
4. Process and cost	Activities, cost pools and cost drivers	Review of allocation bases
5. Segment and responsibility	Segments, responsibility centres, transfer prices	Elimination of internal turnover
6. Reporting and analytics	Report forms, indicators, deviation analysis	Compliance with the reporting calendar
7. Control and decision	Feedback, management action, follow-up	Verification of implementation

Source: developed by the author.

The architectural principle of the system is that **no layer may receive data other than from the preceding layer**. This rule eliminates parallel data channels — the principal source of inconsistency in practice — and makes every reported figure traceable to its source document. Once the layers are



established, the three management dimensions cease to be separate systems: the process dimension is obtained by grouping records by activity, the cost dimension by grouping the same records by cost object, and the segment dimension by grouping them by segment attribute. Because all three aggregations derive from the same coded transactions, they are reconcilable by construction.

The proposed approach also reverses a common priority in practice. Enterprises frequently invest in sophisticated costing techniques while leaving the data pathway fragmented; the resulting figures are precise in method but unreliable in substance. Securing the continuity of the pathway is therefore a precondition for, rather than a complement to, refined calculation methods.

Conclusion

The quality of management information depends less on the sophistication of individual costing techniques than on the architectural continuity between the layers through which data passes. Practical recommendations: establish a single point of entry for each type of transaction and prohibit parallel manual registration; map cost centre, product and segment classifiers into a unified reference structure; introduce a mandatory set of analytical attributes for every transaction; assign an explicit control point and a responsible owner to each layer; and link deviation analysis to a documented follow-up procedure.

References

1. IASB. Conceptual Framework for Financial Reporting. — London: IFRS Foundation, 2018.
2. IFRS 8 “Operating Segments”. — London: IFRS Foundation.
3. Kaplan R.S., Anderson S.R. Time-Driven Activity-Based Costing. — Boston: Harvard Business School Press, 2007.
4. Horngren C.T., Datar S.M., Rajan M.V. Cost Accounting: A Managerial Emphasis. — Harlow: Pearson.
5. COSO. Internal Control — Integrated Framework. — New York: AICPA, 2013.
6. ISO/IEC 25012. Data quality model. — Geneva: ISO.