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Abstract

The purpose of this study is to develop a construct for monitoring all revenues and costs, both direct and indirect, for the case unit – Professional Mobile Radio (PMR) – account projects. The case unit is a product division of Nokia Networks (NN). The study aims to find a simple way to analyse the true account project ex-post profitability within the case unit, exploiting current NN accounting and reporting systems. The methodology applied in the study is the constructive approach. The references used consist of basic management accounting (MA) doctrine, and NN and PMR's internal material. The empirical work also comprises interviews conducted inside NN.

In the theoretical part of the study, the role of accounting information in the decision-making process is first discussed. Fundamental issues of management accounting are reviewed in broad outline. In addition, different cost concepts and the functional classification of costs are introduced. In the empirical section, a cross-unit account project is defined within NN's core business processes and organisational structure. The current accounting and reporting systems within NN are then reviewed. Finally, the construction, which is based on empirical work and existing theory, is prepared. The development of the construction is shown, applying functional classification of costs together with NN's core business processes, which form a cross-unit value chain.

As a result of this study, it is argued that the current gross-margin level customer profitability analysis can be enlarged to cross-unit group level account project profitability accounting. However, the construction requires that additional practices for collecting, measuring and allocating financial information are implemented. First, it is suggested that a discrete template is employed as the method by which to collect financial information outside the case unit. Within the PMR division, additional coding references and a work time record (WTR) system are proposed as a solution for measurement and for allocating indirect costs to account projects. Even though the methods proposed in the construction would create an extra workload and parallel reporting routine, they are practically the only way to capture reasonable accuracy so that account project profitability will support managerial decision-making in the case unit. The proposed construction has not, at the time of writing, been deployed. Nevertheless, this study provides some new insight into the problematics of cross-unit profitability calculations.

Key words	Management Accounting, Profitability, Account Project, Cross-Unit
Further information	