



## COST MANAGEMENT IN SPORTS ORGANIZATIONS

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### ARTICLE INFO

Received 12/5/2023  
Sent to revision 12/6/2023  
Accepted 12/12/2023  
Available online 12/27/2023

#### Keywords:

Accounting  
Costs  
Sport  
Liquidity  
Sustainability

### ABSTRACT

Taking into account the fact that the vision of the management of sports companies is dominantly focused on achieving the best possible sports results, it is important to emphasize that the primary goal must be accompanied by the achievement of an adequate level of liquidity in the business. The realization of this goal is closely related to and conditioned by the correct approach to cost management. In this regard, the goal of this paper is to emphasize the importance of cost management in sports organizations, all for the purpose of implementing timely and effective decision-making management. The previous practice of financial management took into account only financial accounting for the purposes of reporting to internal and external users. She did not deal with management accounting, which is a necessary basis for making strategic decisions. Taking into account the above, in the paper we will look at the importance of a new approach to the management of sports organizations, which is aimed at cost management in the function of the sustainability of the sports organization while monitoring the achievement of sports results. The research will be conducted by surveying sports organizations that exist in the area of the City of Bijeljina and Brčko District of Bosnia and Herzegovina. The methods that will be applied are analysis, synthesis, generalization, and statistical methods.

### Introduction

The vision of the management of sports clubs is focused on achieving the best possible sports results. Success in the sports field must not overshadow the financial stability of the business, which is the basis for long-term, comprehensive success. Generally speaking, most sports companies are faced with the problem of maintaining business liquidity. One of the causes is insufficient investment and a wrong strategy for the development of sports both at the level of local communities and at the national level. One of the causes is insufficient investment and a wrong strategy for the development of sports both at the level of local communities and at the state level. Another reason lies in the fact that sports collectives do not apply adequate cost management methods, most often due to a lack of specific knowledge of management structures or the inability to engage educated personnel in this field. The consequences of this situation are continuous demands for the improvement of measures aimed at limiting the spending of funds, financial losses, changes in the name of sports organizations, and the like. Putting an exclusive focus on financial accounting and meeting the informational requirements of external users distances sports organizations from good cost management practices, which is one of the main links to successful business management. Taking into account the fact that the sports sector consists mostly of service functions, traditional approaches to calculation and cost management are not able to provide relevant information for the needs of management decision-making. In this regard, the focus is increasingly directed towards activity-based costing (ABC), which shows excellent results precisely in the domain of cost management in service industries. The subject of the research is focused on the analysis of allocation methods and cost management in amateur sports clubs in the area of the City of Bijeljina and Brčko District of BiH. The goal

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of the research is to determine the possibilities of applying modern approaches to calculation and cost management in sports teams and their contribution to quality business decision-making. In addition to the abstract, introduction, and review of the literature, the paper deals with the specifics of allocation and cost management in amateur sports clubs, the subject and goal of the research, research methodology, and research results. In the literature review, an overview of the latest research in the field of accounting in the sports industry is given. Based on that review, a research hypothesis was set, a methodological framework was created, and data analysis was performed. The results of the research and the recommendations arising from it are summarized in the conclusion of the paper.

## 1. Review of the literature

Research conducted on the subject of ABC accounting application in sports organizations has shown that, although its implementation brings with it certain difficulties, ABC is a very effective means of cost management and control. So, (Lawrence, Gabriel & Tuttle, 2010) investigated the application of ABC accounting in Division I of the National Collegiate Athletic Association of the United States of America<sup>1</sup>. The research showed that the application of ABC accounting enables the allocation of the vast majority of costs associated with the work of an intercollegiate athletic team. The authors conclude that once the system is operational (after an initial investment of time and resources) there should be no difficulty in managing most of the procedures used in intercollegiate athletics. (Panagiotis & Ioannis, 2014) analyzed the application of ABC accounting in public sports organizations in Greece. The main goal of the research was to determine whether the application of ABC accounting leads to more efficient control of costs, evaluation of procedures that do not add value, and efficient distribution of municipal costs to local residents. The analysis showed that ABC generates more efficient cost data considering that the costs of some athletic activities have been turned out to be underestimated using traditional accounting systems. In addition, the application of an advanced costing model can prove useful for achieving more accurate product costing, cost reduction, operational efficiency, and even profitability. (Lawrence, Wanless & Gabriel, 2020) investigated the possibility of applying ABC accounting in the financial reporting of an intercollegiate athletic association. The researchers were interested in (1) whether there is a difference in the amount of operating expenses in individual sports when current accounting methods and ABC are applied and (2) whether there is a difference between the total operating costs of men's and women's sports when applying current accounting methods and ABC? The focus was therefore on operating costs because these are costs that are directly related to the stability of the program. The results of the research showed that the application of ABC calculations in financial reporting leads to increased transparency because it enables the precise transfer of unallocated costs, in an appropriate manner, to each type of sports program. In addition, ABC also provides a better understanding of some aspects of gender equality, as it has been determined that sports in which women compete are proportionally more expensive when the amount of costs is determined by applying ABC calculations. This means that the Intercollegiate Athletic Association takes care of gender equality and invests significant resources in the development of sports teams in which women participate.

As non-profit, non-governmental organizations, amateur sports clubs in Bosnia and Herzegovina are organized in the form of citizens' associations for performing sports activities. The form of organization and method of financing legal entities in the field of sports is regulated by the Law on Sports in Bosnia and Herzegovina, the Law on Associations and Foundations of Bosnia and Herzegovina, laws on associations and foundations of entities, laws on sports of entities and regulations in the field of sports at the appropriate level of administrative organization. The Law on Sports in Bosnia and Herzegovina ("Official Gazette of Bosnia and Herzegovina" No. 27/08) defines that sports activities are financed from: membership fees, budget funds of institutions of Bosnia and Herzegovina, Entities, and other levels of administrative organization, donations and sponsorship of legal and natural persons, income from interest and rent, games of chance, income from activities established by the statute of the sports organization, as well as from other income. In this regard, as well as the fact that sports teams have a legal obligation to draw up reports on the expenditure of budget funds allocated and donated to projects, it is very important to understand the essence of their financial management. Table 1 shows the required analytics regarding

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<sup>1</sup> NCAA Division I is the highest level of collegiate sports competition in the US and includes many of the largest and most famous universities and athletic programs.

the structure of costs that will be financed by the program or project of the Government of the Brčko District of BiH.

**Table 1: Total cost structure by program and project activities of public interest**

No	Type of expense	Unit	Quantity	Price	Total amount (BAM)	Clarification of budget items	Justification of estimated costs
1.	<b>Human resources</b>						
1.1.1.	Wages (gross wages, including social security benefits and other related costs)						
1.1.2.	Technical staff						
1.1.3.	Professional staff						
1.1.4.	Administrative staff						
1.2.	<b>Per diems for travel</b>						
1.2.1.	Abroad (staff involved in implementation)						
1.2.2.	Local travel (staff involved in implementation)						
	<b>Total human resources</b>						
2.	<b>Travel</b>						
2.1.	International travel						
2.2.	Local travel						
	<b>Total travel</b>						
3.	<b>Equipment and supplies</b>						
3.1.	Buying or renting a vehicle						
3.2.	Furniture and computer equipment						
3.3.	Machines, tools						
3.4.	Equipment rental						
3.5.	Other (specify)						
	<b>Total equipment and supplies</b>						
4.	<b>Office</b>						
4.1.	Rental costs						
4.2.	Consumables - office supplies						
4.3.	Other services (tel. / fax, electricity / heating, maintenance)						
	<b>Total office</b>						
5.	<b>Procurement of other materials</b>						
5.1.	Advertising material						
5.2.	Other (specify)						
	<b>Total other materials</b>						
6.	<b>Other costs, services</b>						
6.1.	Costs of media visibility						
6.2.	Other (specify)						
	<b>Total other costs and services</b>						
7.	<b>TOTAL (BAM):</b>						

Source: Rulebook on the allocation of funds for financing programs or projects of public interest in the department for European integration and international cooperation of the Brčko District Government BiH, 7/21.

The key element in this is the allocation and management of costs. Cost allocation is the process of assigning direct and indirect costs to specific programs, projects, or services within the organization. Adequate allocation of costs in the non-profit sector is important for the needs of correct financial reporting, compliance with the rules for awarding grants, and informed decision-making. Correct financial reporting on the financial position enables interested parties to have a comprehensive and transparent picture of financial success and the consumption of resources for the implementation of annual business plans. The allocation of financial resources from the state or local budget is accompanied by special requirements regarding the distribution of costs and reporting. And so, every year, the Government of Brčko District BiH publishes a public call for financing projects of public interest for associations, foundations, and other legal and natural persons. The legal provisions, among other things, define the financial framework for financing, which should contain (Rulebook on the allocation of funds for financing programs or projects of public interest in the Department for European Integration and International Cooperation of the Government of Brčko District BiH, 7/21):

- a. the maximum or minimum amount of planned funds per approved project;
- b. maximum and minimum percentage amount of approved funds for co-financing already approved projects i
- c. the maximum and minimum percentage amount of the approved funds that can be used to cover the administrative costs of the program or project holder and project partners (indirect costs of the program or project holder and partners).

In this regard, it is clear that by implementing a consistent and transparent cost allocation process, nonprofit organizations can ensure compliance with grant guidelines, maintain eligibility for funding, and avoid penalties or loss of funding. In addition to the above, it is also important to point out that the correct distribution of costs also shows financial responsibility towards donors, increasing the probability of securing future funding opportunities.

Accurate cost allocation provides the ability to make decisions regarding resource allocation, program expansion, or modification, based on relevant information. Understanding the actual costs of each program or project also provides the ability to identify areas that may need additional funding or those that can be rationalized to achieve greater efficiency. This information is crucial for strategic planning and long-term sustainability.

The significance of the transparent practice of cost distribution is also reflected in the increase in the trust of donors, who thus gain real insight into the process of spending donated funds. The effect of this cost management policy is usually the continuation of donor support or their encouragement to other donors to contribute to the organization's operations.

## **2. Methods of allocation and cost management in sports organizations**

Money is the basis of the existence and ultimately the success of sports organizations. Regardless of their structure as public companies, private companies, or non-profit entities, sports organizations must have a sound financial management business system. The financial function in sports organizations represents a key management function that is responsible for (Stewart, 2007:15):

- creation of realistic budgets and financial plans;
- monitoring of expenses and income;
- ensuring adequate cash flows and current liquidity;
- creation of assets that generate income;
- debt level control.

The consequences of bad financial management can be multiple, from the loss of management control, through the impossibility of precise performance measurement, decline in asset value, increase in debt levels, rising costs, lack of cash, to operational losses or, in the worst case, liquidation. One of the most important levers of successful financial management in any organization is the management of business costs. According to Stewart, 2007, common costs incurred in sports organizations include:

- salaries and allowances for players and administrative staff, which represent the largest expenditure item subject to inflation and the influence of competition;
- personnel costs which include insurance, training, and contribution costs;
- marketing costs, which include the costs of advertising, promotion, sales, gifts, etc;

- costs of maintaining business premises, which include the costs of electricity, telephone, fax, postage, stationery, etc.;
- the costs of maintaining premises and facilities, which include the costs of maintaining sports facilities, fun zones, etc., which should be noted to be of a current nature and absorb a significant part of the income;
- player management costs, which include the costs of purchasing equipment, medical services, conditioning and fitness training, travel, etc.;
- depreciation costs of assets (objects, buildings, cars, equipment).

It is clear, therefore, that effective cost management is a key link in the financial sustainability of sports organizations. Efficient cost management, in addition to other elements, also requires a precise allocation of costs to the bearers, that is, the cost makers. In this regard, it is important to highlight the difference between direct and indirect costs. Generally speaking, direct costs consist of costs that can be directly linked to the effects that caused their occurrence. Indirect costs, on the other hand, represent costs that cannot be directly and reliably linked to the creation of the product or the service provided. They appear as a result of accompanying activities and always refer to several products or services provided.

Nonprofit organizations should be focused on conducting a thorough and comprehensive cost allocation process to ensure that their resources and costs are effectively allocated across programs or projects. In this regard, it is very important to know which costs are classified as indirect and what is the allowed/acceptable amount of these costs that may be included when creating the financial plan of the project. Acceptable indirect costs include those that arise within the scope of the project and that cannot be directly linked to a particular activity of the project. Such costs also include those for which it is difficult to determine the exact amount that can be attributed to a certain activity, that is, costs whose amount can only be determined using a special calculation methodology. The amount of acceptable indirect costs, when it comes to project financing, ranges from 7% to 20% of the total value of the project's direct costs<sup>2</sup>. Indirect costs of projects include<sup>3</sup>:

- costs of bookkeeping services;
- administrative costs (fees for persons authorized to represent the organization, whose responsibilities do not relate exclusively to the project);
- operational staff costs (human resources, financial and administrative services, secretarial services, and legal services) necessary for business operations;
- rent of office space for the administrative implementation of the project;
- fees for electricity and heating energy, gas and water, fees for wastewater disposal and other overhead costs;
- costs of postage, telephone, internet, courier service;
- ongoing maintenance services;
- office material, small inventory;
- compensation for services that are not directly related to the implementation of the project activity and are part of the general business of an entity (eg services for creating documentation and conducting the equipment procurement procedure);
- creation of promotional materials that serve to promote the project, that are of a broader meaning and refer to the entire field of activity of an entity (e.g. a contract with a PR agency for the entire field of activity, not just for the project).

In situations where the allocation of indirect costs is not related to the realization of a specific program or project, the methodology of attaching them to the bearers is somewhat different. It is very important to note that the common characteristic of traditional accounting and cost management systems is their uniform approach to binding indirect costs for carriers. In theory, this shortcoming is tried to be solved by

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<sup>2</sup> In the Brčko District of BiH, a fixed rate of up to 10% of the eligible direct costs is applied. Acceptable direct costs, according to the terms of the Public Call for financing projects of public interest of associations, foundations, and other legal and natural persons in the Brčko District of BiH, include all costs "that are directly related to the realization and achievement of the goals of the project of public interest, which are directly related to the individual activity of the project and where the connection with the specific activity can be proven".

<sup>3</sup> It is important to note that in the event that the organization is working on the realization of only one project, it will not have indirect costs because the resulting costs will probably be directly related to the specific project.

introducing more keys for their allocation, however, in practice, the problem arises that the cost of creating the required information very often exceeds the benefits. The practical consequence of a small number of allocation bases is unusable and irrelevant information that can very often lead to wrong management decisions (Osmančević and Lutilsky, 2005:136). Because of this, but also due to the fact that changed business conditions resulted in an increase in the number of accompanying activities (which are the cause of indirect costs), in professional theory and practice, a consensus has long been reached that activity-based costing is an excellent tool for precise allocation costs and creating a detailed insight into the actual structure and amounts of costs incurred in the accounting period.

Activity-based accounting systems open up the possibility of identifying value-adding activities, determining the resources necessary for the realization of these activities, and precisely estimating the cost price of the effects. In traditional accounting, general costs are grouped and distributed by major cost centers such as production, administration, services, research, and development, and then linked to effects. In traditional accounting, general costs are grouped and distributed by main cost centers such as production, administration, services, research, and development, and then linked to effects. Unlike them, ABC allocates general costs according to cost drivers that link costs to activities, and then these costs are transferred to effects according to the impact these activities have on each of them. Although the calculation of costs by activity was originally created for the purposes of cost management in manufacturing companies, it quickly turned out that this calculation is also applicable in companies operating in the service and other sectors. There is no single model of ABC implementation in sports organizations. Its application will depend to a large extent on the unique specific characteristics of each sports team. According to (Morse et al., 2003), the implementation of ABC accounting should be carried out using a two-stage model. The first step involves the identification of the activity. The usual activities that take place in sports organizations include: administrative work, procurement, athletic and fitness training, management of equipment, facilities and sports events, marketing, promotion, sponsorships and media relations, ticket sales, etc. The second step involves the allocation of resource costs to performed activities. Table 2 shows the connection between individual activities and the resources they consume

**Table 2: The connection between typical activities in sports organizations and the resources used for their development**

Typical activities	Typical costs of resources used
Administrative work	Office equipment, office supplies, travel and seminar expenses, telephone expenses, postage, salaries, and allowances.
Procurement	Office equipment, office supplies, telephone costs, postage, salaries, and allowances.
Athletic and fitness training	Consumables, protective equipment, equipment maintenance, sportswear, medical staff, and supplies, nutritionist, wages, and benefits.
Management of equipment, facilities, and sports events	Repair and maintenance, consumables, spare parts, washing and maintenance of sports clothing and other sports equipment, facility maintenance, fees for judges, delegates and other official staff, official announcer, security staff, event day equipment, event day staff, guest travel, salaries, and allowances.
Marketing, promotion, sponsorships, and media relations	Office equipment, office supplies, telephone costs, postage, advertising, publications, programs, seminars, travel, salaries, and allowances.
Ticket sales	Office equipment, office supplies, software, databases, salaries and benefits.

Source: Lawrence, Gabriel & Tuttle, 2010:375.

The third step entails the determination of cost drivers with the aim of allocating resources, consumed by activities, to cost objects. Cost drivers in sports organizations can be different, such as the hours of work of employees, the number of tickets sold, the number of sports events, the number of athletes, etc. It is important to take care to identify the cost driver that will most accurately reflect the costs related to individual sports programs

In the fourth step, costs per unit of activity are determined. The amount of these costs is obtained by dividing the total costs of an individual activity by the total number of units of a specific activity. For example the total annual expenses of the ticketing department divided by the total annual number of tickets sold.

The fifth step implies the redistribution of costs from activities to cost objects, based on the amount of activities that the objects consume. So, for example, when it comes to the redistribution of ticket sales costs, this would mean multiplying the costs of selling one ticket by the number of tickets sold for each sports program.

### 3. Research methodology

The primary research methodology of the treated problem is presented through the following research hypothesis:

H1: Cost management in sports organizations contributes to the implementation of timely and effective decision-making management.

In order to test the hypothesis, empirical research was conducted on a sample of sports associations that exist in the area of the City of Bijeljina and the Brčko District of Bosnia and Herzegovina using the questionnaire method. The basis for creating the basic set was the records of sports organizations that are kept in the Department for Culture, Sports, Physical Culture and Relations with Religious Communities of the City of Bijeljina and the Department for Economic Development, Sports and Culture of the Government of Brčko District of BiH. After the basic group was defined, which consisted of 226 sports associations (116 from the area of the City of Bijeljina and 110 from the area of the Brčko District of BiH), a framework for selecting the sample was formed, that is, a list of units of the basic group from which a sample of 67 sports associations was selected.

The survey questionnaire was designed in the form of a semi-structured type with defined response modalities. The structure of the survey questionnaire implied the selection of one (or more) offered answers. Respondents were given the opportunity to determine their level of agreement with a statement by circling yes or no answers to the questions in the survey questionnaire. When compiling the survey questionnaire, the initial hypothesis, the results of previous research, research questions, and the limitations and suggestions of previously conducted research were taken into account. The questionnaire consisted of five questions. The first question sought to determine whether the management of sports associations applies new approaches to financial management that are aimed at cost management in the function of sustainable development. The second question was related to the sports organization and the possibility of establishing a new financial management approach focused on cost management. The third question sought to determine whether a new approach to financial management, based on cost management, would contribute to financial stability and adequate management of funds in sports organizations. The fourth question determined whether cost management can balance the primary goal of a sports organization (achieving sports results) with sustainable development and efficient budget management. The fifth question related to the search for an answer as to whether the management of a sports organization can make quality decisions without applying a new approach to financial management focused on cost management. The survey questionnaire was delivered in printed form to representatives of sports associations. The research was conducted in the period 1-31 October 2023. 67 sports associations participated in the research, which makes a return rate of 29.64%

After the expiration of the specified time interval, all 67 questionnaires were filled in correctly, of which 34 were from the area of the City of Bijeljina and 33 from the area of Brčko District of BiH.

### 4. Results of research and discussion

The results of the research and discussion are based on processed data, collected through a survey questionnaire. Table 3 shows the results of the analysis related to the question of the application of new approaches to financial management focused on cost management in the function of sustainable development.

**Table 3: The results of the analysis related to the application of new approaches to financial management focused on cost management in the function of sustainable development**

Respondents	The sports association applies/does not apply a new approach to financial management	
	Yes	No
Sports associations	-	67
TOTAL	-	67
Percentage participation	-	100

Source: Research results (n=67).

Out of a total of 67 surveyed sports associations from the area of the City of Bijeljina and the Brčko District of BiH, each stated that they do not apply new approaches to cost management that are aimed at cost management in the function of sustainable development. As for the financial part, everyone confirmed that the focus is only on financial accounting for the needs of external users of accounting information.

**Table 4: The results of the analysis related to the interest of sports organizations in the application of a new approach to financial management focused on cost management**

Respondents	Are you interested in the possibility of establishing a new approach to financial management focused on cost management?	
	Yes	No
Sports associations	67	-
TOTAL NUMBER OF RESPONDENTS	67	-
Percentage participation	100%	-

Source: Research results (n=67).

The results obtained by processing the second question confirm that sports associations are ready to establish a new approach to financial management focused on cost management. One of the reasons lies in the fact that the relevant departments require a precise indication of needs (project spending) when applying for the allocation of funds, as well as a detailed analysis regarding the structure of costs that will be financed by the program or project.

Table 5 shows the results of processing the answers to the question of whether a new approach to financial management, based on cost management, would contribute to financial stability and adequate management of funds in sports organizations.

Following on from question number 2, the representatives of the sports teams expressed their awareness of the fact that a new approach of this type to financial management would enable them to more efficiently achieve the goal of liquidity. Likewise, they understand and support the desire of every sports association to achieve the most efficient sports results. But they are of the opinion that the best possible sports results must not at any time disturb the financial stability of the sports association. Any type of threat to the liquidity goal contributes to the question of its existence in the future.

**Table 5: The results of the analysis related to the position on whether a new approach to financial management would contribute to financial stability and adequate management of funds in sports organizations**

Respondents	The new approach to financial management contributes to financial stability and adequate management of funds in sports organizations	
	Yes	No
Sports associations	67	-
TOTAL NUMBER OF RESPONDENTS	67	-
Percentage participation	100%	-

Source: Research results (n=67).

When answering the fourth question, representatives of sports associations stated that by introducing a new financial management approach based on cost management, they would balance the primary goal



of the sports organization (achieving sports results) with sustainable development and efficient budget management.

**Table 6: The results of the analysis related to the balance of sports results and sustainable development of the sports organization and efficient budget management**

Respondents	Balance of sports results and sustainable development of the sports organization and efficient budget management	
	Yes	No
Sports associations	67	-
TOTAL NUMBER OF RESPONDENTS	67	-
Percentage participation	100%	-

Source: Research results (n=67).

In the last, fifth question, the emphasis is placed on the issue of making quality business decisions without applying a new approach to financial management focused on cost management. The respondents answered that it is quite difficult to make decisions without the support of a new approach to financial management focused on cost management. Likewise, they concluded that one of the key reasons why many sports collectives suffered the fate of being extinguished is a vision that was focused on sports results not taking into account cost management.

**Table 7: The results of the analysis related to making quality decisions by applying a new approach to financial management focused on cost management**

Respondents	Management decision-making and a new approach to financial management focused on cost management	
	Yes	No
Sports associations	67	-
TOTAL NUMBER OF RESPONDENTS	67	-
Percentage participation	100%	-

Source: Research results (n=67).

Based on the data processing and the obtained results, it can be said that the hypothesis has been confirmed, i.e. that the introduction of a new approach to financial management, aimed at cost management in sports organizations, contributes to the implementation of timely and effective management decision-making. Furthermore, the introduction of this approach would be a guarantee of satisfying the primary goal of every sports organization, i.e. unlimited functioning with the effect of balanced sustainable development and sports results.

**Conclusion**

The quality of business decision-making is closely related to the quality of information produced by the accounting information system. Financial accounting is closely related to the requirements of external users of its information and does not deal with the issue of cost management, which is a crucial element of long-term survival and successful business. In this regard, it is important to assess the quality of applied cost management systems, which is related to their ability to enable companies to save costs, as well as to produce accurate information about company costs. Conventional accounting approaches to calculation and cost management cannot meet the information needs of modern management because they were originally designed to measure product costs. Their application in a new business environment leads to disadvantages such as: distorted product cost data, irrelevant and non-functional operational control information, and ineffective performance measurement.

The new environment requires, therefore, a large amount of relevant information about the costs and performance of activities, processes, products, services, and customers. In this regard, it is quite clear that companies must devise an optimal combination of either conventional and modern or only modern approaches to cost management that will provide accurate information for the needs of efficient planning, control, and performance analysis.

The research results showed that sports associations in Bijeljina and Brčko do not have a developed cost management system. Regardless, the fact that all surveyed companies showed interest in introducing

a new approach to financial management based on cost management is encouraging. They are of the opinion that the introduction of a new approach of this type would satisfy the primary goal of every sports organization, i.e. unlimited functioning with the effect of balanced sustainable development and sports results.

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