European Journal of Accounting, Finance & Business

Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

APPROACHES AND CONTROVERSIES IN MANAGERIAL ACCOUNTING

Iuliana ŢUGULSCHI [1]*, Rodica CUŞMĂUNSĂ[1]
[1] Academy of Economic Studies of Moldova, 61 Banulescu-Bodoni Str.; MD-2005 Chisinau , Republic of Moldova, e-mail: iuliana3989@gmail.com, coliucica@mail.ru

Abstract

Actuality of the present article is shown by the fact that the present national accounting regulations and international accounting regulations haven't identified a clear position about the scope of managerial accounting.

This article examines the place and role of managerial accounting in the economic sciences, which is presently used narrowly and treated as a sub-system of the larger accounting system, by becoming a proper object of study and taking some part of the financial accounting and management accounting functions in the substantiation of managerial decisions.

Keyword: managerial accounting, costing, strategic positioning, management systems, internal controlling, financial statements

JEL Classification: M 11, 40, 41, 49

I. Introduction

In a globalized economy, the accounting information requires relevance, opportunity, objectivity and neutrality in decision making. But, with the increasing requirements towards presentation of information in accordance with IFRS these become obviously insufficient, because, it must support not only the internal and external users, but also the forecasting, analysis and control processes. This envisages active and operative use of information in support to decisions-making and adjusted to the

Corresponding author: Name SURNAME , E-mail

Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

production processes, and aimed at improving it. As a result, the need for managerial accounting emerges. Therefore, it is necessary to identify the role and scope of the latter.

II. General aspects of managerial accounting

In spite of the major interest in the subject of managerial accounting, the experts' opinions about its content, role and place within the economic sciences and management system of entities are still different and challenging. In specialized literature they are divided starting with the narrowest treatment of managerial accounting (as an accounting subsystem) to the widest becoming the proper object of study and encompassing the management functions in order to support management decisions making. In some developed countries this problem has been solved by splitting accounting into 2 subsystems: financial and managerial, while in others into 3 such subsystems, by differentiating in addition that of fiscal accounting.

In Moldova the term of management accounting was defined for the first time in the Accounting Law 113-XVI of 27 April 2007 according to which "management accounting is the system of collecting, processing, preparation and transmission of accounting information for planning, costing, verifying and analysing the budget execution in order to prepare internal reports for management decision making" [1]. Under the previous accounting system, which had served planned command economy, managerial accounting wasn't used, but there was a practice of cost evidence and calculation in all sectors of the economy. That practice was based on planning at the output level, on price regulation by the state, on budget allocation for envisaged needs etc. At the same time, management accounting was used in the international practice since 1885, when the first handbook on the respective topic appeared in France. But the official division of the accounting into financial and managerial is considered the development of the managerial accounting program by the American Association of Accountants in 1972 for those interested to earn a degree in analytical accounting [6, p.77].

In specialized literature the terms of „managerial accounting” and „cost accounting” are usually treated as synonyms. Referring to the Anglo-Saxon and American literature the term of managerial accounting is mainly used to define the process of registration, generalization, and processing, transmitting and analysing information with the aim of planning, accounting and controlling the entity. In French literature the main term used is cost accounting the main functions of which are: accounting, forecasting and calculating the cost of production, determining deviations from the standard cost effective and providing the necessary information for decision-making. Nevertheless, the two terms are used identically, with no distinction between the two.

Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

In this context, the economists Călin O., Man M., M. Nedelcu state that "managerial accounting is internal accounting that was created to provide managers with information necessary to run a business. It is mainly necessary to control the internal activity of the enterprise and to control the production process". The main task of the managerial accounting is registration of production costs and their calculation, and providing management with the necessary information for decision-making.

Nevertheless some authors distinguish between managerial accounting and cost accounting. So, Caraiani C. and Dumitrana M. [2, p.24] believe that management accounting is a broader concept than cost accounting, involving professional knowledge and skill in the preparation and presentation of the information needed for the management at different levels, the source of information of which is:

- management accounting (information for planning and control, profitability of products for taking a decision on resource allocation, information for strategic and tactical decision);
- financial accounting (information on the results, stocks, treasury).

Probably the authors here referred not to the management accounting, but to the production accounting which is based on management accounting presently existing, since considering management accounting as a part of the cost accounting, in our view, is confusing.

Specialized literature identifies the difference between management and administration more specifically: if the system is oriented towards external influence – then this implies administrative system, and in the case of prevailing self-organization, self-management, then it is a management. If by structure, the management system and administration are identical, then the main difference is limited only to the content of the management functions.

Referring particularly to the term "management", being translated from English, it means "administration", and with the transition to a market economy, this has been widely used in theory and practice without translation. In this context, the researcher Romanova O. [8, p.18] reported more approaches for this term, namely that management is:

- a fashionable term resulting from the implementation of international economic theories;
- the management system in a market economy;
- a means of capitalization of the economy, i.e. of administration in conditions of private property;

European Journal of Accounting, Finance & Business
Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

- managing people compared to operating machines.

The necessity of studying management accounting as a separate science was considered by many economists. Thus, the scientist Sokolov I. [11, p. 51] addresses the hypothesis that managerial accounting itself is not a new term and the financial and managerial accounting separation leads to the exclusion of cost accounting and cost calculation department within financial accounting. The author says that accounting was originally a managerial accounting and that of has existed since the times of L. Pacioli. The reason for that was that, the accounting had been practiced by traders for internal purposes only. Only further development of the society and international accounting, requiring presentation of financial reports and regulating the accounting at the international level, led to the emergence of financial accounting. The same opinion is shared also by other authors who stated that elements of managerial accounting had been found even in Ancient Egypt, used at that time for determining equitable taxes levied on crops.

Some authors consider that managerial accounting is the same production accounting, but renamed according to the new terminology, and therefore there is no reason to identify it as an independent discipline. We believe that such an approach doesn't meet the current requirements of presenting the information. In this context, Professor Vahruşina M. [7, p.129] states that management accounting and production accounting is attributed to different types of economy: market and planned. Production accounting aims to reduce costs in order to save resources, while managerial accounting is to identify internal reserves and their management mechanisms so as to increase the efficiency of the activity. The authors further say that in the context of a planned economy the main goal of the production accounting is to ensure compliance of production costs with planned indicators, not with the purpose to optimize costs, but to be in line with the established norms. Therefore, production accounting has always been retrospective in nature, while managerial accounting is largely forward looking.

Professor Pizengolţ M [10, p.60] divided the opinions of the authors on the meaning of managerial accounting into four groups:

1. there is no separate subject in accounting as managerial accounting, production accounting is the only one which has always existed and will continue to exist (production cost accounting);
2. managerial accounting and production accounting are the same, just under different names, therefore it is not necessary to mention it as a distinct discipline;

3. in current conditions, accounting is a complex system, which consists of three subsystems: financial accounting, managerial accounting and financial reports;
4. managerial accounting is an independent discipline, which in addition to the accounting aspects includes aspects of analysis, norming, budgeting etc.

We believe that the last statement is correct, because the first two overlap and are not complete. It is not correct to consider that the objective of production accounting is the estimation of the production cost of the finite product and determination of the sales profitability, which is identical with the objective of the managerial accounting. Currently managerial accounting uses not only production accounting, but also applies new mathematical, statistical, and sociological methods (linear programming, correlation, etc.). Therefore, managerial accounting includes some production accounting and part of financial accounting, as to the assessment of stocks and presenting information on costs for external users, as well as methods of analysis, control and planning production activities with relevant character for decision making.

The authors of the first two groups usually take as a basis the idea that the translation of the English term "management accounting" is not correct, saying that it is not managerial accounting, but accountancy. Some authors even tried to establish the keyword in the term - management accounting. In this context, the scientist Palii V.F. states that any system of internal management cannot function without accounting, for these reasons, namely "accounting" is the main link and not management, the latter subordinating to the first one. It is interesting that, a few years later, Professor Palii VF gives up to this hypothesis, stating that "management - is primary, and accounting is just a tool, a systemic element for the management systems" [9, p.61]. The author states that placing the accounting in the first place within the management accounting system results in several shortcomings:

- an increased attention to figures, not paying enough attention to the real needs of the management;
- fetish aim of the entity, expressed by formal quantitative indicators;
- the requirement from management to set goals, controllable by using accounting, and such goals usually do not derive from the contents of economic transactions, but from the requirements of the accounting cycle and often do not coincide.

Management, in our opinion, cannot exist without accounting information, which comprises about 80% of the entire management information, based on knowledge of the linkages between the primary and secondary, cause – effect. Consequently, the basis of

European Journal of Accounting, Finance & Business
Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

management accounting is accounting. Consequently, accounting is the basis of management, which produce information about the existence and movement of patrimonial elements, including costs, expenses, and product costs.

Currently in many countries managerial accounting has reached a fairly high level of development, but the content and methodology of its research in theory and practice varies from one country to another. Analysing the practical implementation of management accounting processes, we can say that its highest practical application persists in countries with very high level of development, for example the USA, Japan, England, Germany, France, while in most of the countries its development is more at academic levels.

In recent years the content and significance of managerial accounting have served as a research ground for various international organizations. So, the Institute of Certified Accountants managers (IMA) in 2008 reported that management accounting has evolved over time and as a result its scope has increased. As a result, domain experts have approached a new definition of managerial accounting, meaning that it is "a profession that involves partnership in decision-making, management of production planning systems and obtaining performance, conducting surveys of financial statements and internal control and providing the necessary managerial support in formulation and implementation of the entity strategy"[12]. Following the above, according to the US experts the accounting manager benefits from a distinct professional status, and in order to exercise their functions needs:

- to have the necessary competencies;
- to work jointly with other people in the decision making process, to achieve the proposed goal;
- to carry out analysis of the financial situations and of the internal control system.

We support this view and believe that the accounting manager is functions have evolved in preparing accounting information for planning purposes, costing, budget control and development of internal management reports in decision making in the manner set forth in the Law on Accounting including the financial statements and the internal controlling system.

Generalizing the analysed opinions, we identify that management accounting can be defined as the information system used in planning and obtaining performances in calculation and cost accounting, as well as in conducting financial analyses and internal

Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

controlling and providing support needed in formulation and implementation of organization's strategies.

Analysis of practices used by the organizations shows that, these do not pay too much attention to the details of managerial accounting, the latter resuming the indication of the composition of production costs and the costing methods. The accounting policy of the organizations however does not show the other elements such as the circulation of documents, the terms and the ways of internal management reports presentation, the structure of the Chart of Accounts, the description of the assessment of and accounting for wastes etc. They reduce the analyses competencies and those related to the control of information, thus significantly reducing the organizations' effectiveness.

Also, in accordance with paragraph 2 of Article 13 of the Law on Accounting, the persons responsible for bookkeeping and financial reporting are required to ensure the development and approval of internal procedures for management accounting. So, in addition to accounting policy, entities should contribute to the development and approval processes of internal management accounting. These processes may vary from one entity to another depending on many factors: on the organizational structure and the size of the entity; on the nomenclature of the manufactured products (services); on the peculiarities of the technological process; on the degree of automation of records etc.

In practice, in order to implement the procedures of managerial accounting within an organization it is necessary to undertake more actions such as:

- examination of the circumstances of internal and/or external character, that influence the organization of managerial accounting in the entity;
- detailed information on the costs of developing locations and responsibility centres, taking into account the principle of intelligibility;
- preparation of budgets (estimates of costs and expenses) by responsibility centres, elaboration of instructions to identify and control the indicators of the same;
- development of templates for the primary and final documents, as well as of the internal reports and of methodological guidelines for their filling, circulating and analysis these;
- description of the method of the costs keeping and calculating etc.

One of the tasks of managerial accounting consists of the development of accounting policy in the area of cost accounting and estimation of production costs. For this reason, it is reasonable for the entity to have separate policies: both in financial

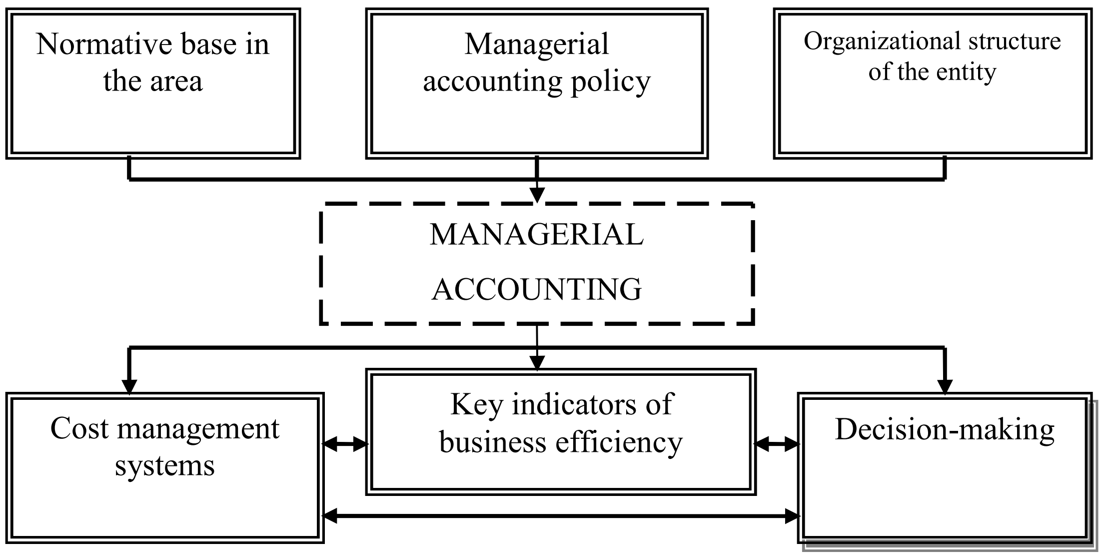
European Journal of Accounting, Finance & Business

Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

accounting and managerial accounting. Therefore, all managerial accounting related elements need to be centralized in an internal document called managerial accounting policy, which concurrently would act as a regulatory policy, establishing the principles, the way of keeping and organizing the managerial accounting within the organization.

Based on the above-mentioned, the managerial accounting structure can be represented in the following way:

Figure 1- The principal components of managerial accounting



In this line, there are 3 main components of the basis of the managerial accounting:

1) the normative basis in accounting, which regulates the entity activities;
2) the managerial accounting policy which envisages the methodology for the latter, starting with planning, budgeting and ending with the managerial reports, the internal control expertise, the financial position etc.
3) the organizational structure of the entity as a whole and its structural subdivisions that influence the organization of cost accounting.

The components listed underlie the managerial accounting establishment, which represents the collection, processing, preparation and transmission of accounting information for various management purposes as part of the economic decision-making

European Journal of Accounting, Finance & Business
Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

process. At a later stage, the system of cost management emerge (internal control system, management reporting system, system of analysis of the management process etc.) and based on key efficiency indicators various decisions are taken.

In managerial accounting, a great attention is given to cost accounting. It is not by accident that, the American scientists Horngren Ch., Datar S., Foster G., have highlighted its importance for accounting, claiming that "cost accounting provides information for management accounting and financial accounting. Cost accounting quantifies and reports financial and non-financial information related to the cost of the purchase or use of resources in an organization. Accounting costs include those components of management accounting and financial accounting which collect or analyse information related to the costs"[4, p.3].

Thus, the organization of analytical evidence of the costs by responsibility centres, planning, controlling and decision-making relates to managerial accounting, which identifies the total and per unit cost by the type of products (services). In financial accounting, the balance of accounts representing the finite products and those under execution support the identification of the resources costs throughout the management period. In this line, the cost accounting includes a part of financial accounting referring to the evaluation of stocks and presenting the information on the costs of external users, the methods of analysis, controlling and the relevant production planning activities in order to support decision-making in management accounting.

Therefore, the area of managerial accounting places in the foreground the issues of cost accounting. These problems arise with the development of market relations, with stronger competition, the need to gain new markets and / or maintaining the existing ones which requires the most effective management of resources to increase economic benefits.

However, in order to meet the demands of the market economy under the increasing costs, the practices of the countries which align successfully with the consumers` requirements and which place competitively their products on the world market are welcome. Japan is also among these countries having a large variety of high quality products, satisfied customers and a successful management through the implementation of advanced competition strategies. In this context, Professor Tabară N. says that "by establishing and exploring this advantage in business, they try to find a relatively comparative market with those of the competitors" [5, p. 74]. The author further states that there are three approaches in this regard: strategic accounting activities which

Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

are based on ABC, ABC-M, ABM methods, managerial accounting and the accounting for advanced technologies based on the concepts of total quality management (TQM) and just-in-time (JIT)).

The implementation of strategic management accounting shows that in practice this is only at the early stages of development and usually refers to the basic objectives of the traditional management accounting. In this line, a clear distinction between traditional management accounting and strategic management accounting is required to identify internal reserves for increased business efficiency. The following are the main differences relevant for the distinction of the two.

Table 1- The main differences between traditional management accounting and strategic management accounting

No.	**Basic components**	**Traditional management accounting**	**Strategic management accounting**
1	The way of keeping cost accounting	Direct and indirect costs Allocation of indirect costs variables and constants	Careful analysis of the factors influencing costs in order to identify optimal methods for their distribution by activity
2	Analysis of the internal environment	Study of internal factors depending on management requirements	Continuous examination of basic factors of business
3	Study of the external environment	Case surveys	Permanent monitoring of the external environment
4	Decision-making process	It focuses mainly on operational and tactical decisions, less on those strategic ones	Follows the achievement of strategic goals and their implementation in practice
5	Information flows on costs	Early setting of information per established periods (planned, budgeted)	The information is prepared when relevant for the decision making

One of the basic tasks of strategic management accounting is the careful selection of the personnel involved in the process of strategy set up at each level of management.

Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

Thus, its role is not only to record economic-financial indicators of an activity by providing the entity's management with the necessary information for efficient decision-making; strategic management accounting must serve as the basis for justifying the made decisions, the purpose of which is to ensure permanent information at all management levels involved in implementation of the organisation's strategy.

III. Conclusion

The scope of managerial accounting has expanded considerably from planning, forecasting and cost accounting by responsibility centres towards the analysis by business processes and management of the organization and of the innovative processes. However, despite the academic research in managerial accounting, these are not transposed completely into practice. This requires strategic positioning of the organisation by studying not only the factors that influence the level of costs but also the external factors in order to identify competitive and effective methods of management.

The strategic positioning of contemporary managerial accounting implies a more complex role in providing information of different nature to the management of the organisation in the process of controlling and administration, keeping in minds the information needs of various categories of users. This means the constitution of management systems which would provide with the needed information to the managers of different levels, like management reporting system, internal control system, system of analysis of the process management, financial planning system and others. Therefore, there is a need not to limit the managerial accounting only to the analysis of cost incurred as part of the activity and their forecasting by activities, but to extend its mandate towards conducting various accounting analysis, internal control and financial statements, inclusively, for achievement of the set up objectives.

REFERENCES

1. Legea Contabilităţii nr.113-XVI din 27.04.2007. Monitorul Oficial al Republicii Moldova. 2007, nr.90-93 din 29.06.
2. CARAIANI, C. DUMITRANA, M. *Contabilitate de gestiune şi control de gestiune.* Bucureşti: Ed. Universitară, 2008. 419 p. ISBN 973-86658-5-X.

Volume 3/2015 ISSN 2344-102X
Issue (2)/ June 2015 ISSN-L 2344-102X

3. CĂLIN, O., MAN, M., NEDELCU, M. *Contabilitate managerială*. Bucureşti: Ed. didactică şi pedagodică, 2008. 335 p. ISBN 978-973-30-1989-3.
4. HORNGREN, C., DATAR, S., FOSTER, G. *Contabilitatea costurilor, o abordare managerială:* ed. a 9-a. Chişinău: Ed. ARC, 2006. 939 p. ISBN 978-9975-61-343-9.
5. TABĂRĂ, N., *Contabilitatea de gestiune şi poziţionarea strategică a întreprinderii*. Contabilitate şi audit. 1998, nr.5, 73-79.
6. АВЕРЧЕВ, И. *Управленческий учёт и отчётность: постановка и внедрение*. Москва: Вершина, 2009, 509 с. ISBN 5-9626010-1-7
7. ВАХРУШИНА, М. А. *Бухгалтерский управленческий учёт* : 7-е изд. Москва, 2010, 569 с. ISBN 5- 365-00674-7
8. РОМАНОВА, О. С. *Процессное управление предприятиями хлебопекарной промышленности*. Москва: Хлебпродинформ, 2006. 256 p.
9. ПАЛИЙ, В. Ф. *Управленческий учёт: организация и функционирование*. Бухгалтерский учёт. 2007, nr. 23, 60-65.
10. ПИЗНЕГОЛЬЦ, М. З. *О содержании управленческого учета*. Бухгалтерский учет. 2000, nr.19, 60-62.
11. СОКОЛОВ, Я. В. *Управленческий учет: миф или реальность?* Бухгалтерский учет. 2000, nr.18, 50-52.
12. Statements on management accounting "*Definition of Management accounting*"[online] [accesat 19.01.2014]. Disponibil: http:www.imanet.org.