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Managerial Accounting - an Essential Component of the Information System

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Abstract

Accounting it's an important component of the economic information system. E. Horomnea believes that through specific means and procedures, accounting provides: clarifications of the past and the present of the economic entities, pertinent analyzes that are directed to the market; provides guidance on the strategic future; provides motivations and solutions for the decisions made. This article will analyze the evolution of managerial accounting from traditional costing to the new guidelines, when the issue of creating added value and managing third parties needs represents the future of any information system. After 1987 there are continuous changes and concerns, not only at Romanian level but at world wide scale.

Keywords: *accounting, accounting information system, market, management*

JEL Classification: M10, M21

1. Accounting information - the main source of decision-making

S. Briciu mentions that accounting can be considered to be the most important component of the information system, because most of the entity-level decisions are provided on the basis of information provided by accounting, allows managers to have an image of the entity, and it is also the one that connects with the other components of the information system (personnel, production, marketing etc.).

He also believes that the accounting information that is used in management activity depends on many factors, such as: confidentiality, urgency, the level of the management to which it is addressed etc. The manager has to define the information he needs, and the information system must be able to provide him the requested information. Managers need information that is relevant and helps them in their planning, decision-making but also in the implementation and control of decisions.

I.P. Pîntea notes that ”the optimal exploitation of economic information is possible only in the information systems of other enterprises, whose function is to provide a rational amount of information in order to facilitate the taking of economic decisions, to all levels of the organization. The main source of data for the information system of the enterprise and, at the same time, one of its most important component is the accounting”.

Under the current conditions of the economy, the management of economic entities needs to be based on flexibility, dynamism and foresight. This requires, in order to substantiate decisions, the use of information that is operative and complex. D. Buzdugan appreciates that managers can lead well the organization only if they have as much as possible information regarding the costs, but also information about cost implications on enterprise performance, cost trends and cost strategies.

Accounting, as discipline, falls within the field of social sciences. It meets the criteria that are generally valid for all disciplines and which individualize it: its own terminology, its own study object, as well as its own methodology, its own laws demonstrating its placement in social sciences.

In our country the accounting is organized in double circuit: financial accounting and management accounting.

The information provided by financial accounting is public and it is necessary for external users: shareholders, associates, tax authorities, banks etc. Its organizational and managerial way is unitary, it provides information that is required by the regulations issued by the national and international structures that have attributions in the field of financial accounting normalization.

Thus, financial accounting records and quantifies economic transactions, providing financial statements that are prepared in accordance with current accounting legislation. It is the one that records the consumption of resources by nature, which presents, through the synthesis work, the results of the economic entity as a whole. As financial accounting does not deal with the process of using, transforming resources by destination, managerial accounting is used to solve this issue.

It has been demonstrated that the information provided by financial accounting is often insufficient in the conditions of the development of technological flows. In the process of substantiating decisions it is necessary to answer questions such as:

- how much does a good (work, service) cost?
- what is the contribution of each good to the formation of the enterprise's result?
- what is the contribution made by each activity in the enterprise to the adjustment of the value of products?
- what are the costs that should be used in decision-making?

Financial accounting has lost the informational war with management accounting, failing to answer these questions. C. Goujet and B. Doriath think that these questions can be answered using the information provided by the management account. Management accounting is thus the first source of information that allows substantiating decisions to achieve fixed goals.

2. Reflections on the concept of managerial accounting

The definition of *managerial accounting* is, over time, a concern for many specialists from different countries. Even if the content is essentially the same, the notion of "managerial accounting" differs, as terminology, from country to country, from one accounting system to another.

In 1982, it was designated in the General Accounting Plan of France as "analytical accounting". It was then called "management accounting" by the National Accounting Council. In Germany, was used the term "Kostenrechnung", which translates: costing. In Anglo Saxon specialty works is called "cost accounting" or "management accounting". Literature from Romania has taken over all these terms over time. All the terminology used revolves around the notion of "cost" and its calculation.

The IMA (Institute of Management Accounting) defines managerial accounting as: the set of procedures for defining, evaluating, computing, interpreting financial information that is used by management to plan, evaluate and control the inside of organizations, and to guarantee and to empower the enterprise's resources.

The professional management accounting organization called the Chartered Institute of Management Accountants (CIMA) in the United Kingdom considers that this discipline is a combination of several disciplines: accounting, management, finance and leadership techniques witch are indispensable for successful business co-ordination.

M. Friederich and G. Langlois conducted a study of 10 cost accounting manuals in USA and they found some differences between the French approach and the US cost accounting approach.

In the United States literature it is distinguished:

• cost accounting - is that part of the accounting for the cost of goods, works, services;

• management accounting - has the task of responding to the information needs of managers of economic entities.

Herbert Simon, quoted by H. Bouqin, presented what managers expect from the management accounts:

a) to allow a conclusion related to the question: are things going well or bad? (score keeping);

b) to draw attention to the problems of which they are interested (attention directing);

c) to contribute to problem solving, so to answer the question: what is the best solution between the various existing solutions? (problem solving).

Sorin Briciu believes that the structure of managerial accounting includes *both elements that are specific to financial accounting*, but especially elements that are specific to *management accounting*. *The management control* should have an important place in managerial accounting. It is responsible for the correct and effective functioning of the information system in an entity, being indispensable for substantiating decisions. On these three elements, *internal audit* should be included, which is the one that, by conducting evaluations, by controlling and managing processes, by improving risk management, helps the enterprise to achieve its objectives.

We believe that the structure of managerial accounting should include those elements necessary to provide information to the managers with the understanding of processes, phenomena that occur in the enterprise, those elements that are needed to substantiate decisions, and which can anticipate the repercussions of decisions on which they take, those elements that are necessary to carry out the control in a permanent and efficient manner.

Using internal information to solve various business problems and diversifying this internal information, transforms managerial accounting into one of the major management tools, regardless of the hierarchical level and degree of delegation of responsibilities.

3. Mutations occurred in managerial accounting

N. Tabără identifies four phases in the evolution of management accounting:

• A first phase, before 1950. The main concern was the financial control related to the calculation of full costs. In this phase, full cost accounting techniques and budgeting techniques were applied;

• In the second phase (after 1965) the interest is directed towards obtaining the necessary information for the planning activity and for the management control. The techniques used were accountability and decisional analysis;

• After 1985, there is the third phase. By applying analysis and cost management techniques, the purpose is directed to reducing the waste of resources used in business operations;

• After 1995, the fourth phase is outlined. The interest is directed to the effective and efficient use of resources, to organizational innovation, to the creation of valuable products, using techniques and methods that favour the analysis of value inducers for shareholders and for clients.

Even if the phases are distinct between them, the transition from one phase to another has been progressive. It is clear that the evolution of managerial accounting will continue.

A. Burlaud and C. Simon mention that a new form of control was born after World War II, called management control, which had as its main object the economic performance of the enterprises. The authors explain the behaviour of entrepreneurs through the profit / risk couple, which requires monitoring of economic efficiency. A certain risk is accepted, the main objective being the return on capital invested. In this way the self-control procedures became inherent, which led the information system to follow the next route:

a) industrial accounting;

b) CAE (holding accounting);

c) cost analysis and control;

d) management accounting;

In Romania, the evolution of managerial accounting has not been broken by the global context. S. Toplicianu makes an overview of the evolution of managerial accounting. It is noted the existence of two major and important periods:

⇒ between 1830 and 1990: the monist period;

⇒ after 1990: the dualistic period.

Since 1830, techniques and methods of calculating the cost of production have been developed. The first accounting written book in Romanian appeared in 1837 ("Commerce Rule"by Emanoil Ioan Nichifor) in Brașov.

For the first time in our country, the role, the structure and the way of generating the cost of production were analyzed in 1901 by Constantin Petrescu (University of Iași) in

”Accounting and Administration Treaties”. In this treaty, the influences of French accounting are found and the cost of production is called the return price.

In 1908, the first specialized magazine called “Revista generală de comerţ şi contabilitate - The General Magazine of Trade and Accounting” appeared. In 1913 the “Academy of High Commercial and Industrial Studies” was established, and in 1921 the ”Body of Authorized Accountants and Expert Accountants” was born. The area of study of management accounting expands. Definitions of accounting concepts, the expenses and the costs are listed and the cost analysis and its post-calculations are based.

During the socialist period between 1950 and 1990, management accounting continued to grow. The concepts of full cost and partial cost were introduced. Both antecalculated and effective costs are used. Even if the economy was centralized, planned, the expenses and the costs were kept under control. Specific for that period was the accounting monism. The calculation of the planned cost was regulated by the appearance of the “Basic Rules” (1955, 1964, 1976). At the begining, the rules only concerned industrial production, then the regulations were extended to the other branches of the economy (state agricultural enterprises, construction).

Since 1990, the Romanian accounting system has been in constant change. It has passed from the completes conception, that the two accounting (financial and management) are carried out concurrently, without their rigorous separation, to the dualist conception, that the second part of the accounting, the management accounting, is organized in a circuit that is completely autonomous, totally separated from the financial accounting.

In the integralist conception, the solution is somehow delicate because it entailed combining the simultaneous operation of the system of accounts specific to management accounting with the expenditure accounts (class 6) and income (class 7):

⇒ the revenue accounts in financial accounts are debited while income is taken into the management's accounts in correspondence with accounts reflecting the “Turnover of products / business benefits” by crediting them;

⇒ the accounts of expenditures in the financial accounts were credited with the assumption of the expenses in the management accounts through the debit of the ”Goods / Trade Costs” accounts for the direct expenses and the debit of the ”Analysis Centers” accounts for the indirect expenses.

As a disadvantage of the integraliste conception, we mention that at the end of each management period the revenue and expenditure accounts in the financial accounts were falling, making it difficult to prepare and present the profit and loss account.

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