

MANAGEMENT ACCOUNTING – MANAGERIAL OBLIGATION OR NEED

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ABSTRACT

As a managerial tool, accounting is put in the service of management, ensuring the link between the operational system and the entity's administrating management system. In an economic context with radical and often unexpected changes, we feel that there is a constant need to improve the use of management accounting information for management based on coherent development programs combined with the regulations in force to harness the potential of the organization, the benefits it can use and minimize risks through more coordination, dynamism, and reasoning. The paper highlights that the management accounting system is involved in the internal management of the entity and provides vital information to managers in several interconnected areas: forecasting, cost calculation and analysis, coordination, decision-making, control, evaluation. Starting from the aspects that highlight the necessity and usefulness of management accounting information for management, through the selective research carried out on a sample of 301 entities, we aimed to analyze the opportunity of providing information through the management accounting system, with a series of conclusions based on the associations established.

KEYWORDS: management accounting, management, information, opportunity, cost

1. Literature Review

More and more fierce competition in the business world for retaining or losing customers – generators of turnover and outcome – has led to an increase in the role of management accounting as a provider of information for internal users – managers. If financial revenue compares revenue to expenses with the purpose of providing outcome information (Balteş & Vasiu, 2015) internal users are, or should be, interested in the costs of each product or type of service and the profitability of each (Bufan, 2013).

In Romania, the accounting system is organized according to Law 82/1991, the two subsystems being identified: financial accounting, according to the regulations

specific to each category of entities and the management accounting whose general framework is provided by OMFP 1826/2003 (Order of the Ministry of Public Finances). It details the subject of management accounting in the collection and allocation of expenditure by its organization and the calculation of acquisition, production, processing costs irrespective of the type and scope of the entities.

Hilton Ronald (2011) addresses managerial accounting as *“the process of identifying, analyzing, measuring, interpreting and communicating the information needed to pursue the objectives of an organization as an integral part of the managerial process”*. An especially

relevant approach, we believe, is the one of Christina Wiwik Sunarni (2013), who refers to management accounting as “*management-oriented accounting or accounting in relation to management functions, accounting professionals involved turning into strategic managers*”.

Modern literature addresses the management accounting subsystem through two components: “*cost accounting*” and “*management accounting*”, both of which are addressed from an informational perspective to the entity’s internal environment. The basic difference between the two is the type of information provided. Thus, in the view of Cost Perform (2017) specialists, as well as of some well-known specialists in the field (Drury, 1992), cost accounting is based on a quantitative approach to information, referring to costing, while management accounting has as result both quantitative and qualitative information, referring to the integration of information in the managerial process.

Through the study of the literature (Briciu & Teiuşan, 2006; Mohammad & Ayuba, 2012; Bragg, 2018; The Institute of Cost Accountants of India), the internal informational role of management accounting can be synthesized as collecting, processing and sending the information related to the consumption generated by the activity object, the determination of the cost, the determination of the prices/tariffs, the determination and the control of the activity’s efficiency through standardization, the elaboration and control of the budgets etc., being achieved by the totality of the procedures, means and rules which are used to collect, process, transmit, use and store accounting information which can not be shared to external users. It is up to each entity to create its own information system (communication channels, responsible persons etc.).

The management accounting system engages in the entity’s internal management and provides vital information to managers

to perform its specific functions, all of which are subsequently found in the decision-making process:

- forecast: main provider of information by determining cost in relation to turnover and expected profit margin, standardization and budgeting as key tools of strategic management;
- coordination: a dialogue can be established between technical staff, accountants and managers;
- organization: generates the necessary information for management that allows optimal use of fixed assets and human resources;
- control: managers can follow deviations from forecasts, determine the influences on the results obtained, take measures to correct the malfunctions;
- performance appraisal: it is also made based on the information provided by the management accounting.

An interesting approach to the role of the informational sub-system generated by management accounting is made by Leslie Chadwick (1999) who says that it has both the role of “*gatekeeper*”, allowing both communication with managers and subordinate staff and the external environment (if desired), as well as the role of “*servant*” in that the information produced must meet the needs of management to achieve the objectives.

Information provided through management accounting is necessary to achieve all managerial functions, providing the necessary data and information, including advice and recommendations (Fitsum, 2012). Based on the above, we can conclude that through the information generated by the management accounting, management has opportunities to capitalize on:

- determining costs on products, activities, orders, centers, etc.;
- price/tariff setting;
- dialogue between “*technical*” staff and those involved in financial

- management, accounting and general management;
- performance evaluation at the organizational center level;
 - efficient use of production capacity and labor;
 - explaining results based on costs and sales prices;
 - determining the hidden costs, which can not be traced through traditional bookkeeping systems;
 - supporting management in forecasting, setting goals/strategies, making decisions, etc.

Often viewed as the “late child of Romanian accounting” (Feleagă, 2002),

management accounting provides confidential information to internal users for the assessment, control and future management of the entity.

2. Selective Research Methodology

In order to support the opinion on the organization of management accounting within the entities, we conducted a selective survey on a sample of 301 respondents from the Center Region. In Table no. 1 presents the objectives, assumptions and variables formulated to achieve the main objective of the research.

Table no. 1

Objectives and hypotheses of the research

Main objective	Main hypothesis	Secondary objective	Secondary hypothesis	Variable
Q₁ Analysis of the opportunity to provide information through the management accounting system.	IP₁ Management accounting is both a mandatory requirement imposed by legal regulations and an informational need for users	QS₁ Identifying the respondents' attitude regarding the organization and management of management accounting by domain and the category of entities.	IS₁ The opinion on management accounting is influenced by the entity's category and scope.	v1 Multiple choice/Closed with a single answer v2 Multiple choice/Closed with a single answer v15 Multiple choice/Closed with a single answer

3. Conclusions of the Selective Research

As presented in the first part of the research, financial accounting is not the only subsystem to be organized. Through the regulations adopted in Romania people have in fact become aware of the importance of the management accounting, which has become mandatory, “adapted to

the specificity of the activity” since 2004. With the introduction of the operational variables v15 in the questionnaire we wanted to know *the opinion of the respondents regarding the organization of the management accounting*, the preliminary information being shown in Table no. 2.

Table no. 2

Opinion on the organization of management accounting

Valid	301	Frequency	Percentage	Valid percentage
	Enforced by legal regulations, non-informational	59	19.60	19.60
	An informational need for management	114	37.87	37.87
	Both an obligation and an informational need for management	128	42.52	42.52
	Total	301	100.00	100.00

(Source: own processing)

We find that the largest share of the respondents (42.52 %) considers that this accounting subsystem represents both an obligation and an informational necessity for the management while 37.87 % of the respondents appreciate the management accounting exclusively for the informational character. It is surprising to notice the relatively high percentage (19.60 %) of those who do not consider anything useful in the organization of the management accounting. Why is it that we are surprised at the fact that many entities are currently experiencing losses and performing inefficiently? Here we remove some non-compliant practices that have precisely this purpose for diminishing

taxation, and we focus on costing. In the simplest way, we can only say that it is not enough to buy a stock item, account for consumption and trade further. It is necessary to calculate the total cost so that the final price can cover all expenses (not just the purchase cost) and generate efficiency.

For details, we formulated the specific objective *QS₁ – Identifying respondents' attitudes about organizing and managing management accounting by domain and entity category*, where we associated *v15* with *v1* and *v2*. The information obtained by associating depending on category of entities is presented in Table no. 3.

Table no. 3

Organization of management accounting according to the entity category

Opinion	Category*				Total %
	micro	small entity	middle sized entity	large entity	
Enforced by legal regulations %	46	11	2	0	59
	31.08	13.10	3.85	0.00	19.60
An informational necessity %	24	42	36	12	114
	16.22	50.00	69.23	70.59	37.87
Information obligation and necessity %	78	31	14	5	128
	52.70	36.90	26.92	29.41	42.52
Total %	148	84	52	17	301
	100.00	100.00	100.00	100.00	100.00

* Depending on the average number of employees

(Source: own processing)

A first conclusion is that as the size of the entity grows, and the share of those who consider the management accounting subsystem to be an informational need for management is growing. Thus, if, in the opinion of 31.08 % of the representatives of entities in the micro- category, management accounting is only imposed by regulations without an informational character, this percentage decreases to 13.10 % for small entities, 3.85 % for medium-sized entities and becomes 0 for the large companies.

In fact, most representatives of large entities (70.59 %) consider that the management accounting subsystem supports management by the processed information, the share related to this opinion being constantly decreasing and reaching 16.22 % for micro-entities. However, it is worth noting that, in the opinion of most of the respondents included in the micro category, management accounting is both an information obligation and necessity, being aware of the

importance of this accounting information for management support and business continuity.

The information obtained by association according to the entities' field of activity is presented in Table no. 4.

Table no. 4

Organization of management accounting according to the field of activity

Opinion	Field				Total %
	commerce	industry	services	agriculture	
Enforced by legal regulations %	43 70.49	0 0.00	14 9.03	2 20.00	59 19.60
An informational necessity %	12 19.67	49 65.33	52 33.55	1 10.00	114 37.87
Information obligation and necessity %	6 9.84	26 34.67	89 57.42	7 70.00	128 42.52
Total %	61 100.00	75 100.00	155 100.00	10 100.00	301 100.00

Source: (own processing)

Regarding the group-by-sector analysis, we believe that it was to be expected that the industry would have a major share in the area of opinion that reflects management accounting as an informational necessity. At the opposite end there is the trade area with an overwhelming majority share of 70.49 % in the direction of strict management accounting as mandatory. The opinions of the respondents in the service and agriculture sectors registered a majority weight of 57.42 %, respectively 70 % in the area that reflects both the information obligation and necessity.

Criteria combined analysis leads to the validation of the secondary hypothesis *IS₁* – *The opinion on management accounting is influenced by the entity's category and scope.*

Based on the conclusions drawn from the processing of the data obtained from v15 we find that the main hypothesis formulated prior to the research (*IP₁* – *Management accounting is both a legal requirement and an informational need for users*) is confirmed under the conditions in which the vision depends on category and scope of the entity.

4. Final Conclusions and Future Research Directions

The main conclusion regarding the opportunity of organizing the management accounting is that the largest share of the respondents, but not the majority, considers that it is both an informational obligation and necessity for the management. We found surprising the relatively high proportion (19.60 %) of those who do not consider anything useful in organizing the management accounting. From the perspective of grouping by field of activity, industry has a major share in terms of the opinion that reflects the management accounting as an informational necessity, the opposite being the trade.

In conclusion, accounting information proves its usefulness for management, the condition being that there is availability and interest in capitalizing on it. In order to deepen the research in the management accounting subsystem, one of the future research directions will aim to identify entities' costing options as the operationalization of the capitalization of information provided through management accounting.

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