

MAIN SEGMENTS OF MANAGEMENT ACCOUNTING FROM THE POSITION OF INDUSTRIAL ENTERPRISE

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Abstract. The article describes features and relevance of nowadays management accounting for enterprises. The authors define the place and role of management accounting, showing its advantages and differences from business accounting and tax accounting. The research reveals the relevance of management accounting for planning, monitoring and taking rational decisions for the enterprises, as well as the subject and the object of management accounting. It analyzes problems, meaning, prerequisites for the implementation of management accounting for decision making and effective management of an enterprise.

Keywords: management accounting, tax accounting, business accounting, management accounting system, cost accounting.

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Introduction

Economic activity in the conditions of globalization of integration and automation puts forward new requirements for the management system. It should provide economic independence, competitiveness and sustainable financial situation for the market. It is impossible to accomplish this task without primary improvement of the cost management system and production costs.

Management accounting is meant to provide accurate and complete information needed to make correct and effective management decisions that may influence the receipt of the final financial results of the company activity and strengthen its reputation at the market. Management information reflects the real operating rate of the company activity and gives owners an idea of how effective and profitable their business can be. Unfortunately, most managers still do not have a clear understanding of the nature and content of management accounting, its organization and efficiency of implementation. The Implementation process of management accounting system at an enterprise is a very important and primary task.

Economic studies of the management accounting concept usually compare different scientists' points of view without taking into account the time when a certain point of view was expressed. However, management accounting as a socio-economic phenomenon is constantly evolving, expanding its features, along with the increase of a problem set to be solved and methods to be used. That is why questions about the necessity of management

accounting, methods of its effective implementation and analysis of the use remain controversial.

The research objective is to demonstrate the necessity of management accounting and find sectors for its implementation at industrial enterprises.

Directions implementation of management accounting for businesses

Nowadays, there are two main problems in the sphere of management of expenses and financial results of the enterprise activity. The first one is to reorient domestic theory and accumulated experience into solving new tasks of controlling the company in market conditions. The second one is to create new innovating systems to get information about expenses, to use new approaches to cost accounting and calculation of financial results, along with methods of analysis, control and making on this base management decisions. In this regard, the analysis of management accounting is of a considerable interest for Ukrainian enterprises. It is recognized, that management accounting is a necessary tool for management of an organization. It allows increasing the quality and efficiency of management decisions, maximizing the expected result and controlling economic activity risks effectively.

Meanwhile, domestic enterprises which at present function in terms of competition and struggle for life, feel acute need in the organization of the efficient management accounting system. At modern stage of the economy development the crucial task is to improve the production management system on basis of unified principles for planning, accounting, pricing, calculation, analysis and control. Under the circumstances the role of management accounting immeasurably increases, which is the necessary tool for mobilization of all existing reserves for the increase of the effectiveness of production and economic activities at enterprises.

In this regard the problem of its implementation into the domestic practice acquires primary importance, arousing the need of conducting in-depth investigation of economical nature, essence and content of accounting management and its fundamental theoretical bases. Nowadays a lot of directors do not always realize the role of management accounting for organization and are sometimes unable to perceive the objectives and tasks for its implementation.

The critical analysis of national and foreign scientists' opinions on management accounting we can conclude that:

1. All scientists recognize that:
 - management accounting information is meant only for the internal use, which stipulates commercial confidentiality for management accounting data;
 - management accounting information is meant for making of management decisions; in this way it is able to actively influence the production process;
 - the essential part of management accounting information consists of expenditures data.
2. One group of authors (D. Doyle, K. Drury, Robert D. Kaplan, Robert Kupper, Ch. Hongren, Foster J., Sh. Datar, 2005) believe that:
 - management accounting provides collection, registration, systematization only of accounting information, that is management accounting is a part, a subsystem of accounting;
 - the objects of management accounting are only expenses and results;

- management accounting information is used only to make operational decisions;
 - management accounting information is meant to control structural subdivisions of an enterprise.
3. The other group of authors – the largest (P. J. Atamas, F. F. Butynets, S. F. Holov, M. O. Danyiuk, O. V. Lyshylenko, L. V. Napadovska, V. M. Panasiuk and others) believe that:
- management accounting is an integrated system of accounting, valuation, planning, monitoring and analysis;
 - management accounting reflects not only data about expenses and results, but also other objects the information about which is required to make special problem administrative decisions;
 - management accounting information is used both for making operational/current and prospective/strategic management decisions;
 - management accounting information is meant to control both the structural subdivisions of the enterprise and the enterprise as a whole with segments of its business.

Management accounting as a socio-economic phenomenon is constantly evolving. It expands its functions, increases the range of tasks solved by it and uses more diverse methods.

In addition to the management accounting an enterprise system includes business and tax accounting. They are closely related to each other, but each has its own characteristics. Thus, the business accounting functions for the benefit of external users. Therefore, the balance sheet, in principle, is not a closed document, so in the case with PJSC (public joint-stock companies), it is even published in the media. State bodies and public organizations develop accounting standards, mandatory for all businesses. In Ukraine, such standards are represented by national regulations (standards) of business accounting. In case the company seeks to enter the world market of investments, it is forced to prepare its financial statements according to IAS (International Accounting Standards - international standards of accounting) or GAAP (Generally Accepted Accounting Principles - generally accepted accounting principles applicable in the USA) rules as well.

Tax accounting is closely connected with business accounting, but is different because it introduces rules for calculation and payment of taxes, and for its regulatory sources has the Tax Code of Ukraine, laws and regulations of the State Fiscal Service and other agencies. By the way, the problem of discrepancy between tax and accounting standards is the recent issue of all Ukrainian accountants, as they have to prepare statements according to accounting rules, and to charge taxes - according to tax ones, while the differences between these rules are growing.

Business and tax accounting types are linked to legal entities. However, business can consist of one or several legal entities, when for this business owner it is important to know the results in the context of the aggregate of enterprises. In addition, the specific of each business requires different approaches to financial information. For example, to make management decisions it may be important for the company management to know the cost of sales by its individual species, while for fiscal and accounting purposes it is enough to have the total figure.

The subject of management accounting is the industrial and commercial activities of an enterprise as a whole and its separate structural subdivisions in the entire management cycle.

The objects of management accounting is the expenses for the whole enterprise and its

structural divisions; results of the economical activity of an enterprise and its divisions; financial results (expenses) of responsibility centres; internal pricing, which implies the use of transfer prices; budgeting and internal reporting system. Objects of management accounting are reflected through a set of methods and techniques that form the basis for the method of management accounting, which include methods of financial accounting, the index method, methods of economic analysis, mathematical methods, etc.

Each company can implement the management accounting system entirely based on its own goals and vision of development prospects. The use of management accounting system helps improve the entire business management process, creating real opportunities for its optimization.

The implementation of management accounting is a difficult task, which is often solved in the framework of the whole enterprise reorganization. All the problems associated with the management accounting implementation, can be summarized as follows:

- difficulty in determining the qualification and selection of experts, whose responsibilities include setting and conducting management accounting;
- lack of understanding by the management and employees of a company of this area of work;
- lag in other areas of work: too much difference between the accounting and tax accounting, lack of a clear structure of an enterprise;
- lack of ideology at an enterprise, which could provide the work of a team as a whole, relations of mutual assistance, mutual respect and awareness of responsibility for provided information, etc.

The responsibility for the solution of all these problems lies with the management of the company, which should take interest in creating a comprehensive system of management accounting and be proactive to deal with the related organizational, psychological and technical problems.

The reliability of information in management accounting system depends on many factors: whether the enterprise goals and strategies for their achievement were identified correctly in the process of management accounting system development; whether the centres of financial responsibility were selected properly; whether the technology of business processes correspond to company tasks and the planned system of management accounting; whether the system of distribution of burden costs is selected correctly; how well horizontal communication is arranged and the system of responsibility for information collecting and budgeting is divided.

In the process of management accounting system implementation apart from the enumerated ones the organization may face a lot of other subsidiary tasks such as: team building, the necessity to train the staff, overcoming the resistance of the staff to innovations, the establishment of strong horizontal communication and transition to regular management system.

However, the results obtained as a consequence of management accounting system implementation, will surpass all expectations, as management accounting which is properly organized will provide the information necessary to prioritize the activities of the enterprise and plan its future activities, will make a basis for evaluating the opportunities and provide a control mechanism able to implement taken decisions.

Management accounting came into the economic life of our country together with the emergence and growth of market-oriented enterprises. In the competitive environment not only the prosperity of business, but also its very existence often depends on correct,

appropriate to this environment, managerial decisions. Under the influence of various objective factors caused by new technologies, government regulation and growth of enterprises, a business structure becomes more complicated, there appears a need to split it into multiple entities with the simultaneous development of many areas of activity and the formation of a significant amount of structural subdivisions.

The main purpose of management accounting is to increase the profit of an enterprise. At the same time it:

- provides the management of an enterprise with the information about consolidated results of the business, which consists of an unlimited number of legal entities and structural subdivisions;
- shows the results of separate areas (these can be activities, product groups or other elements, depending on the specifics of the business), regardless of how these areas are distributed between entities starting this business;
- also shows the results of the work of structural subdivisions, which can be represented by divisions, departments, entities, etc.;
- controls expenses by maintaining their accounting according to the types and cost centres;
- accumulates statistics on income and expenditure of an enterprise in certain terms and reveals common trends;
- plans and monitors the budget performance by separate cost centres as well as business as a whole, including a set of legal entities;
- conducts operational accounting of settlements with certain contractors and mutual settlements between private entities.

Implementation of management accounting involves the solution of organizational and methodological tasks. Accordingly in the process of organizational decision making, it is necessary to determine who and how (which structural units and which way) will carry out the implementation of management accounting.

Taking into consideration organizational issues of management accounting implementation, it is worth noting, that for a small enterprise with a short production cycle and simple organizational structure it will be enough to hire accounting analyst or cost management specialist. Chief accountant can carry out management accounting as well and the head of the business can be responsible for setting objectives and coordinating activities to achieve them. At a medium-sized enterprise or an enterprise with a specific activity field, which is risky and requires continuous improvement under the conditions of significant competition a group of experts in management accounting consisting of planning and economic department can be created. Also, while solving specific problems, the company can use outsourcing, involving external specialists for a certain period of time to help with solving these issues. At a large enterprise it is reasonable to create a separate department for management accounting and economic analysis, which would be directly subordinate to the senior executive. Divisional organizational structure provides the division of a complex, inflexible organization into separate units, which can solve issues locally. That kind of structure has become a prototype for an internal holding and is effective in terms of efficiency and flexibility of controlling. Therefore, for the head of such an enterprise it would be reasonable to organize management accounting directly in subdivisions, assigning an appropriate specialist in each unit and delegating powers to make him closer to the receiver cost centres and decision making. However, management accounting by costs centres can't reveal the general complete picture of business activity and represent the level of goal

achievement at an enterprise on the whole. That is why it is indispensable that the head of the department should be the analyst, who will receive the information from appropriate employees of separate departments and summarise it.

Resolving methodological tasks for organization and functioning of management accounting requires the observance of a number of principles, including (Napadovska, 2010):

1. The principle of using methodical techniques from different sciences. To make effective management decisions it is sometimes necessary to consider many aspects and factors relating to different areas of knowledge. Based on a combination of teaching methods of various sciences, such as economics, mathematics, statistics, psychology, and also taking into account new technologies, current issues can be solved more rationally than if each of them was used separately.
2. The principle of accounting orientation to the achievement of strategic goals at an enterprise. Management accounting is oriented towards the future, i.e. to the predictable estimates, related to the objectives of an enterprise, to achieve which such activities are undertaken. Management accounting is meant, in particular, to provide the necessary information about alternative management decisions, though the advantage is primarily given to the companies oriented to desired strategic goals.
3. The principle of effectiveness. Company activities are profit oriented, so reasonably calculated alternative solutions due to their fulfilment should lead to certain positive economic results.
4. The principle of responsibility for decision making. It determines personal responsibility for the fulfilment of administrative decisions. So this principle proves the need for the allocation of responsibility centres not only as an effective functioning factor of the management accounting system, in particular, but also of the enterprise management system as a whole.
5. The principle of complexity. It implies the use of the corresponding approach to solve problems. It is based on the complex information arriving from different departments of an enterprise and also from the external environment.
6. The principle of cost differentiation. Depending on objectives it involves the use of different methods of cost determination in the process of reaching various goals, which gives an opportunity to increase the level of cost management. By choosing the optimal method we can accurately determine the required amount of resources needed to achieve the goal.
7. The principle of Economy. It indicates that the economic benefits from the implementation and functioning of management accounting system must exceed expenses.

The effectiveness of management accounting system depends on the level of its organization and assurance of its optimal functioning. In particular, it is reasonable to mark out the following criteria for the evaluation of the organisational level of management accounting system:

- the optimality of the organizational structure of an enterprise, which, among other things, would give an opportunity to allocate responsibility centres;
- the rationality of the projected structure of a management accounting department;
- the optimality in the distribution of duties among the employees of the department;
- the availability of opportunities for data systematization in a large information flow;
- the availability of a unified information field for a fast receipt of necessary data;
- the availability of effective software workstations for employees, etc.;

Thus, management accounting is an integral part of the enterprise management system. It is intended to ensure the information formation for the best management decision making while carrying out: the monitoring of the effectiveness of current activities at an enterprise; the planning of strategy and tactics of a company commercial activity, optimizing usage of material, labour and financial resources; measuring and evaluating the effectiveness of management, identifying the level of profitability of certain products; directing influence on the course of production and sales in order to take effective management decisions.

To implement the management accounting system successfully it is important to take into account three integral parts of this process:

- 1) Special resources necessary for the realization of this task. If an enterprise has set up to performance of the task, it will have to deal with a great amount of financial expenses as well as time expenditure;
- 2) Specialists. Management should realize that to implement management accounting they must hire not accountants, but professionals who have relevant experience. However, the idea to involve own experts instead of temporary consultants is worth considering;
- 3) Participation in the implementation process. Management often believes that it is unnecessary to interfere in the area where there are own specialists. However, you can look at it from the other point of view: how a consultant or specialist will know without the active participation of management what information they would like to see on their table to be able to make right management decisions.

Conclusions and suggestions

Thus, the place of management accounting in the financial system of an enterprise is absolutely particular. Its introduction and implementation require different approaches and different professionals from those which serve accounting and tax sectors.

The reorganization of the management system of business processes at an enterprise through the implementation of a management accounting system opens up entirely new possibilities for Ukrainian enterprises and enables not only to receive information about production processes, but also efficiently use it for decision making. Management accounting is an effective management tool because it creates competitive advantages in the market environment, namely, providing the enterprise with key information. The Experience of Ukrainian enterprises shows that the practical application of management accounting, unfortunately, has not been well spread yet, due to the range of unresolved issues. In modern terms this task is very urgent and needs researching.

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