

DIRECTIONS FOR IMPROVEMENT OF MANAGERIAL ACCOUNTING ECONOMIC ENTITIES IN ROMANIA, IN THE CURRENT ECONOMIC CONTEXT

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Abstract:

A current issue of organizations for the last 20 years is represented by the analysis of the information relevance, management tools and their influence on the decisional process. The main challenge however resides in the way organizations, in general, and control tools, in particular, respond to changes in the current context..

Key words: *globalization, managerial accountancy, performance, decision, ABC method*

JEL classification: *M40, M41, M10*

1. Introduction

During its evolution accounts collected a dowry important ideas, theories, principles, standards, theses and not the least conception of his own vocation, that object of study (Miculescu, M., Peres, I., 2007:5). At the same time, both the tools of the managerial accountancy and their role in the decisional process have constituted the subject of a number of studies and debates. What have been mainly underlined were the critics of the tools considered traditional and the necessity of the proposal of new ones.

In the current period, the development of each national economy and economic units within it is strongly influenced by international economic conditions synthesized largely by globalization and regional integration. The consequences of this globalization process are: increased mobility of factors of production (capital, knowledge in the form of information, the physical technologies and managerial concepts), along with the mobility of goods and services, which increases competitive pressure, widespread change rapidly in all fields, the need for "flexibility" in all areas, as appropriate behavior to make towards ambiguity, uncertainty, change. (Lut, D.M., 2009:490).

Thus, the current economical environment influences the company differently, having an impact on its structure, control system and performance. Meanwhile, the above mentioned phenomena also affect the accountancy systems within the companies, the way of organizing and functioning of both financial accountancy and managerial accountancy. Specialized literature gives this issue a particular attention and not a few researchers suggest that managerial accountancy must change, namely the information provided by accountancy should help the companies in their evolution process, due to deep changes of the present environment.

The company's changes have an impact on the managerial accountancy system in two ways: first of all, the accounting information must support the organizational transformation and, second of all, the control system must change as a response to the perceived change. Managerial accountancy must have its tools adapted to all the important aspects of the company in order to accomplish a dynamic role.

2. The role of the managerial accountancy in the decisional process

Accounting evolution was accompanied by numerous conceptual controversy about its usefulness in understanding the mechanisms and management of state at a time and economic resources of society circuit (Miculescu, M., Peres, I., 2007:5).

At the same time, the evolution of companies within the last years has indicated the fact that the managerial activity must be oriented towards the client and towards the process of changing. In the context of the economical globalization, and implicitly, of the development of the competitive environment, the managerial process proves to have a special complexity at all its levels. As a consequence, it is strictly necessary for researchers to search for the most appropriate methods which may ensure the development of the companies' activity within a competitive and profitable framework. This aspect supposes the advancement of organizational activities capable of allowing an efficient use of modern management methods and techniques. However, such an approach of the company's management can be accomplished only with the help of an appropriated informational background (firstly, on the basis of costs information). This idea is supported by the fact that the decisional process supposes various pieces of information which must be conceived, delivered, interpreted and thoroughly controlled.

As a consequence, the managerial accountancy has become today the most important source of the economic activity both at a company level and at the national company's level. Thus, there is an extreme necessity of implementing some developed variants of managerial accountancy which permit the gaining of a broader accuracy of the accounting information and, especially, the emergence of new informational systems, better adapted to the internal users' needs.

Presently, managerial accountancy must cover a process of "unlearning older practices" (Albu, 2005); it must also give up to its role of "a watchdog" or „scorekeeper" (Jarvenpaa, 2007), being forced to learn new practices in order to become an active adviser and a permanent participant of the decisional process.

As an element of the management process of organizations, managerial accountancy must be focused on a key-aspect of the organizational activity, which it is within its personal scope, namely *the obtaining and use of resources*. Actually, managerial accountancy, as mainly oriented towards the delivering of information to managers, folds on the three key-functions of management: planning, organization and control.

This type of accountancy is oriented especially to the future performances of companies (Coombs, H., Hobbs, D., Jenkins, E., 2005:3-4). Managerial accountancy is an integrant part of the management process, delivering the *essential information* for:

- the control of the present activity of companies;
- the assurance of the optimal use of resources;
- the diminishing of the sub activity part in the decisional process;
- the improvement of the internal and external communication.

In the same way, the information of managerial accountancy is useful for:

- identification of the products selling price;
- achieving and the preservation of the competitive position;
- performance analysis.

In other words the managerial accountancy informational system focuses more and more on the activities that go on at all levels in an organization in view of ensuring its success. Thus, we can state the fact that, in support of the decision-making process of 'value adding' to a business, managerial accountancy takes the following *objectives* (Hilton, R. W., 2005:6):

- providing information necessary to decision making and planning, as well as proactively participating as a part of the managerial team in the decision-making and programming/planning process;
- assisting managers in organizing and controlling current activities;

- motivating managers and employees in order for them to achieve the objectives of the company;
- measuring performances of activities, subunits, managers or other employees of the company;
- appreciating the competitive positioning of the company and the collaboration with the managers in order to ensure long-term competition of the company within the industry.

3. The necessity of adapting data processing tools to the demands of the decision making process within the current economic environment

But firstly, in order to become a councilor and partner of management in the decision making process, managerial accountancy must pay great attention to cost study. Cost calculation, analysis, control, optimization and later on the use of information regarding costs are essential since the success of any business, *'from the smallest street corner boutique to the biggest multinational companies'* (Horngren et al, 2003), requires the use of concepts, practices and methods of calculating costs.

In Romania, the changes caused by globalization, competition increase, production processes technology came in slower, the economic-politic context and the economy development were 'to be blamed'. That is why managerial accountancy had a less distinctive and slower development than its development at an international level. Along time Romanian managerial accountancy has known development and thorough study; modern managerial methods and tools, so famous at an international level, also came in our country. But, despite these appearances and changes, research in this field *'are few and fragmented and they rather study certain tools technically, without relating to the organizational context'* (Albu, 2005).

Therefore, the managerial accountancy existent in the companies that are active in the Romanian economy does not respond to the demands regarding the provision of the efficient production process because of the lack of a rational cost planning and control system. The companies use the same methods of cost calculation (traditional calculation methods: global method, phase method, order method, standard cost method, etc.) that were elaborated back when centralized economy used to work out and the sole task of calculation was the 'fair' distribution of consumptions according to types of products. But the theoretic and practical experience of developed countries elaborated new methods of cost calculation of production: the activity based cost method - ABC (Activity Based Costing), target cost method - TC (Target Costing), the real time method - JIT (Just In Time), the UVA method (Unités de Valeur Ajoutée), whose application provides the increase in the control over rational use of all types of resources, their justified distribution according to calculation objects and as result – the optimization of the production process.

The necessity of analyzing possibilities of adapting modern cost calculation method in the companies in our country has at its basis *four main causes*:

- insufficiencies in studying certain modern cost calculation systems;
- deficiencies of classical or contemporary cost calculation systems;
- diversification of information demands for company management;
- production of certain changes in the strategic positioning of companies on the market.

The first cause is due to poor information in the managerial accountancy field. The fear of trying new methods is still manifesting in our country, and this makes us believe that it is not yet wanted to really practice certain state-of-the-art methods that give advantage to companies in the industrial field, or is this merely our supposition?! This can be noticeable from the Romanian specialized literature analysis which is quite

poor in publishing scientific material of economic interest. Being in the transition stage to a market economy, the informative possibilities are still limited. This aspect can be easily resolved through the organizing and participating to information courses in institutions or companies, courses held by specialists in managerial accountancy field, through publishing specialized books, materials via the internet or e-books, within symposia of scientific meetings. During the past years, an increasing preoccupation with the study of modern cost calculation methods, such as the ABC method, has been noticed, together with the compulsoriness of practicing managerial accountancy in our country.

The second cause refers to indirect costs that are distributed on products through unspecific reference measures in regard to their occasioning value. In the textile industry, and in other fields of the industry, the distribution of indirect costs is made with the help of the supplementation procedure (classic form or relative structure numbers). This distribution of indirect costs is not in compliance with the principle of their occasioning and can lead to wrong strategic decisions, because of using keys of arbitrary distribution. Because of their orientation on short-term periods, cost calculations based on marginal costs and profit contributions are not the ideal solution for the foundation of strategic decisions. Therefore, once with the fixed cost percentage increase in the total costs, the informational value of margin cost calculations decreases.

The third cause of the activity based cost method, the diversification of the information demand for management, focuses on all value creating activities (production sectors, additional activities, etc.). Being based on this aspect the decisions focus on: providing complex information regarding the costs of all calculation objects, determining the costs for specific orders, determining an optimal number of product variants, reducing the size of specific orders, providing the control of economic efficiency in the indirect costs sectors.

The fourth cause of activity-based cost method appearance focuses on the strategic positioning of the company. Once with the development of IT (information technology) the environment of the company and its strategic positioning radically changed. Following the introduction and use of CIM (Computer Integrated Manufacturing) systems, important changes appeared in all fields and sectors of a company. Due to fierce competition on the market, there is a tendency that companies reduce costs, improve product quality and develop new products. All these have as a result the permanent shortening of the life cycle of products.

Companies that are active in the current economic context must try and satisfy the clients' needs that are permanently growing and are quite diverse, because many markets became markets for demand and order, and thus, an exponential widening of models and range of products offered on both sides will develop. The percentage and the importance of indirect costs sectors (research, development, supply, logistics, programming, work preparing, production planning, production management, quality control, sale, contract implementation, order implementation, accountancy, etc.) increase in comparison to the ones of production sectors. Also, once the production processes automation increase, the administrative and control activities increase.

Thus, the main imperatives that should guide any company in the current conditions that characterize the economic and competitive environment are:

1. orientation towards the client
2. orientation towards flexibility
3. redesigning the entire production system of the company
4. the characteristic value that conditions the demand for any product
5. motivating employees, a necessity for making them accountable
6. adopting an adequate organizational structure

7. the company project and culture as socio-organizational forms of keeping companies under pressure

8. quality, the supreme imperative during the current economic conditions

The development of hardware and software technology created the possibility for companies to promote the adoption of an integrated system (EWS - Enterprise - Wide System). This system provides the integration of the operational, financial and managerial systems in a unique set having a common centralized data base, that allows access from anywhere in the world. Thus, with EWS managers can integrate decentralized ABC systems, preparing and operational improvement systems into one system that should offer opportunities that cannot be viable when only the financial report system exists. Therefore, the EWS integrated system will allow:

- Designing a 'migration' model of informational cost system from an obsolete one to an adequate (integrated) one, and a system of performance assessment that should serve users;
- Using the cost informational system on a prospective basis in the development of the budgeting process by managers; the ABC system (Activity Based Costing) – allows the implementation of dynamic budget;
- Developing standard cost systems in order to provide feedback for expenses and to complete financial report systems;
- Using ABM (Activity Based Management) in making decisions regarding 'quality' of activity, processes, product mix, price setting, etc.;
- Implementing improved cost systems: Kaisen Costing (permanent cost management), that is improving costs during productions, cost pseudo-centers, etc.;
- Vision: creating integrated performance and cost assessment systems to provide managers with correct and purposeful information for decision making, but also for financial report.

4. Conclusions

We are in agreement with the opinion according to which *'the current information system of managerial accountancy, constrained by the procedures and report periods of financial situations, is too slow, too complex and too distorted to be of any help to managers in planning and making decisions'*. (Johnson, H.T., Kaplan, R.S., 1987:3)

Therefore, managerial accountancy must permanently evolve, in order to respond to the ever-changing needs of management. Strong international competition generated new action philosophies, and these conceptions gave new development directions to managerial accountancy. Quality is no longer taken for granted, and expenses regarding final or recoverable scraps (that need reprocessing) are no longer included in the product's cost. The new operating systems – such as the real time operation environment (JIT – Just in Time) and total quality management (TQM) – determine the economic entities to restructure their production processes and to apply new distribution procedures of built expenses and new cost calculation systems. Integrated informational systems exert additional pressure on the managerial accountancy informational system.

In the light of the accounting convergence process that is prefiguring in Europe, the organization of managerial accountancy will make its mark on the future development of companies in Romania, based on the cultural impact on the managerial accountancy informational systems.

In conclusion, the purpose of managerial accountancy in the current economic context is to make an orientation instrument out of its information and techniques, a

‘switchboard’, a counselor for establishing the conditions in which an economic-social entity has activity in the interior, and in the macroeconomic context. In other words, the managerial accountancy information makes the most important source, the ‘data base’ of management in the decisional process. The managerial accountancy information offer managers the possibility to choose optimal programs and the setting of a certain trend of economic policy. We can add the current tendency of accounting information to become more operative through the automation of management calculation. The creation of informational systems for management, rational and efficient, allows the proximity of economic information in general, and of accounting information in particular, to the demands of modern management.

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