

## THE APPROACH OF THE ACCOUNTING INFORMATION THROUGH THE PRISM OF MANAGERIAL ACCOUNTING

Andrei – Mihai Cristea, PhD Candidate  
University „1 Decembrie 1918” Alba Iulia  
[cristeaandm@yahoo.com](mailto:cristeaandm@yahoo.com)

**Abstract:** *Managerial accounting is a crucial management tool required for measurement of appreciation and improve the performance of the entity. This includes information it generates and choosing those options that allow decision on which economic and financial future of the entire entity. Their methods of costing has both advantages and disadvantages. But whatever the system used, the information provided at the appropriate time should be relevant, accurate and reasonable cost. Election costs are calculated depends on many constraints. These are caused by the way the entity, provisional management mode or budgetary constraints contractual continuity and analytical treatment system, which should allow realistic comparisons between different periods.*

**Keywords:** management accounting, cost, expense accounting information

**JEL Classification:** M41, M48

### 1. Introduction

Information cost means the raw material cost for financial analysis aimed at assessing strategic alternatives available, of which are chosen as financially feasible. For the strategy is the most important means of transmitting information is the accounting reports. These should be based on critical success factors necessary to achieve the chosen strategy. Implementing any strategy is based on all the financial analysis is performed using accounting information and aims to develop specific tactics chosen strategy. Performance monitoring is partly based on a cost information provided by management accounting, particularly on the results of such methods as target cost, expense budgets or annual planning profit.

Managerial accounting uses advanced techniques compared to the same time costing and covers a broader scope. However, a fundamental requirement is the existence of a solid cost information system that can be able to supply the fundamentals of managerial accounting needs. As a summary, we emphasize that both managerial accounting and cost information system are oriented towards providing information with a high degree of detail in order to support planning and control basing any decisions, focusing on cost of products, activities and functions <sup>6</sup>.

### 2. Characteristics of accounting information

The features must fulfill the information in the annual financial statements to be useful for

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<sup>6</sup> Budugan D., Georgescu I. (2006), *Cost-based decisions under uncertainty condiiyions*, The scientific Annals of "Alexandru Ioan Cuza" Iasi

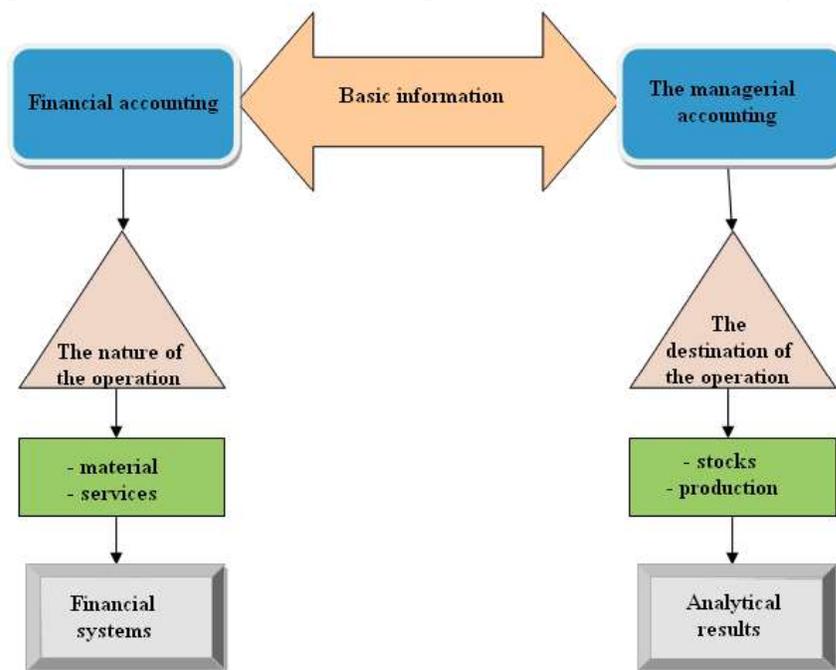
decision making was stated by accounting conceptual framework of the International Accounting Standards Board (IASB). These relate to the following:

- intelligibility and ease with which users understand accounting information;
- relevance or appropriateness, the information influences the economic decisions of users, giving them the necessary support in the event the evaluation of the past, present and future, or to correct the previous evaluations;
- reliability when information is not free of material errors is not biased, giving users a degree of credibility;
- comparability over time, the ability to compare successive financial statements of the same entity and extract trends that entity's financial position and performance;
- comparability in space that users should be able to compare the financial statements of entities with similar entities to assess the financial position and performance <sup>7</sup>.

The main objective of the managerial accounting aims to reflect all the operations of collection and distribution of the expenditure on the destinations.

### 3. Managerial accounting - accounting details

Managerial accounting is an accounting details (relationships within the entity), while financial accounting is a global accounting (entity relationship with the environment). Management accounting position depending on the flow of information concerning the entity is shown schematically in Figure 1.



**Figure 1.** Management accounting position depending on the flow of information regarding the entity

Source: Bump I Horga V. Radu M. (2003), *Management Accounting*, Niculescu Publishing House, Bucharest

<sup>7</sup> IASB conceptual framework accounting reporting, International Financial Reporting Standards, in 2007, Ed CECCAR Bucharest

Activities are consuming resources and resource consumption at a cost that requires monitoring and control. To this end, it is essential to understand and identify the factors influencing the behavior of costs that can be called generic cost drivers.

The main cost inductor, considered as the basis of the development of other substance is customer demand whose level decisions which determine the most developed at the end is reflected in the cost. A useful classification cost drivers can be grouped into three categories:

- ✓ structural cost drivers (related to the size and scope of operations and technology involved in delivering products to customers),
- ✓ organizational cost drivers (related to organizing activities and staff involvement in decision making) and
- ✓ cost drivers of activities (which refers to the specific activities carried out

Inducers cost structures are determined by the size of the organization, its location, order operations and the technologies used and defined most often at the start of an activity or when deciding on a new market entry. Given the specificity of these inductors, making decisions that may affect structural define inducers is an activity with a reduced frequency.

A few examples of such substance related to the activity of the disposal of wine products in their own shops for example, as well as the costs of disposal are the size of the premises that influence the distribution and operational costs, the type of construction which according to the complexity, give rise to a different location of the shops, the technology required to operate the shops (information systems, air conditioning systems, etc.)

*Organizational cost inductors* arising from the type of business pursued and are determined as a consequence of decisions giving rise to structural inducers. Their existence is conditioned by making decisions on the number of selected suppliers and maintain a close relationship with them, sending employees to information about costs and delegation of authority in making decisions, reorganization of operational activities in order to improve the production process, etc.

*Inducers cost of activities* are specific to individual activities carried out in order to meet the overall objective of the organization, and are determined by decisions about ordering, purchasing raw materials, scheduling equipment, production time, staffing, packaging, specific activities sales, products, marketing of products, etc.

#### **4. Quality of the Accounting**

Credibility is essential for the accounting profession, so that they shall be required that certain standards of behavior, which the Institute of Management Accountants (Institute of Management Accountants) has adopted in 1983. It is a set of standards of behavior management accounting practitioners ethical standards outlining responsibilities for competence, confidentiality, integrity and objectivity.

Competence refers to the ability to understand and comply with all laws, regulations and technical standards that relate to their duties. As a result, all reports, financial analyzes and the reports prepared by them should reflect all the information needed to comply with current reporting standards and clearly stated conclusions.

The information handled by accountants in the field of management accounting are owned entity being treated as confidential. In most cases, the reports analyzed directly affect the profitability of the entity and the flow of such information can give opponents a competitive advantage lacks fairness.

Integrity requires impartiality. Management accounting reports provided must be accurate and actual, whether test results are positive or negative impact on the entity.

Managerial accounting is responsible for all financial statements and management for the majority of non provided. It will build on them in the decision-making operation.

As shown, managerial accounting is not subject to normalization. Some structures or general accounting solutions contained in the plans are only as recommendations, guidance, have been accepted or ignored as they meet or steps to achieve the goal. Basically, management accounting does not support intervention "juridical" in an area where everything is judged strictly "economic".

Regarding normalization of managerial accounting, it is more highly debated and attract the interest of literature. He believes that "in the current Romanian accounting system harmonization with European and international accounting referential idea of normalization of managerial accounting would only complicate the current system Romanian accounting disfavoring management initiative in adopting the most profitable solutions" <sup>8</sup>.

Accounting normalization is defined as "the process of harmonizing the presentation of the summaries, the accounting methods and terminology"<sup>9</sup>. International accounting normalization "requires both the development of rules and existence of organisms able to enunciate these rules to impose their use and punishing noncompliance"<sup>10</sup>. International accounting normalization is implemented by the International Accounting Standards Board (IASB). This body has as main activity the creation and publication of global accounting standards / financial reporting to be followed in preparing the financial statements. In each entity, normalization is achieved by creating rules and internal rules and then following their application.

Regarding regulation management accounting in our country, the Ministry of Finance issued Order 1826/2003 approving some clarifications relative measures of its organization and management. Order contains general provisions on management accounting, and various provisions on costing. According to this document, norming and normalization objectives are objectives<sup>11</sup>:

- developing a chart of accounts;
- elaboration of a system of documentation;
- adoption of a method of cost calculation.

In Romania is using a general account plan containing accounting regulations harmonized with the Fourth European Economic Community, approved by the Minister of Public Finance no. 3055/2009. Created for accounting organization in double circuit - one of financial accounting and other management accounting system adopted and implemented by our country as of January 1, 1994, general account plan consists of nine classes of accounts. They shall ensure the eight classes in the leadership of the accounts, being mandatory. For managerial accounting management in general chart of accounts there is only one class, 9, "*Management accounts*". It contains ten degree synthetic accounts, the accounts divided into three groups. But "*the use of these accounts is not required, their use is optional*"<sup>12</sup>.

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<sup>8</sup>Cernușcă L., Gornoi B.C. (2009), *Concepts and practices of management accounting*, Economic Publishing House, Bucharest

<sup>9</sup>Feleagă N. (1999), *Accounting systems compared*, Vol.I, Economic Publishing House, Bucharest, p.15

<sup>10</sup>Pop A.(2004), *Regulatory approaches in accounting*, Volume Conference "Audit and accounting convergence" Synchronous Publishing, Cluj-Napoca, p.66-67

<sup>11</sup> Details of measures relating to the organization and management of management accounting approved by Order of MPF no. 1826/2003, published by the Official Gazette no. 23 of January 12, 2004

<sup>12</sup> According to paragraph 273, par. (3) of accounting regulations harmonized with Directive IV of the European Economic Community, approved by MFP Order no.1752 / 2005

## 5. Conclusions

Managerial accounting can be applied practically by using specific accounts through the development of financial accounts or accounts with its own operational and technical evidence.

To achieve its goals, *management accounting needs a proper chart of accounts*<sup>13</sup>. It must be drawn up by the accounting officer of the management and should meet the needs of the application of the method of calculation is chosen. According to the specified laws, symbolising and use the management accounts must be carried out in such a way that the information obtained to be flexible and to enable a wide range of options. Also, the list of accounts of management should be adapted according to the aims pursued by each entity, respectively, the determination of the costs, the determination of income and the results as a function of the activity which it generates, forecasts.

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