MANAGEMENT ACCOUNTING AND ITS INFLUENCE ON THE STRATEGIC DECISIONS OF THE COMPANY

Alexandra - Delia BUGNARIU[1]
Patrizia - Pamela POTHORA[2]

Abstract: *In order to survive in a competitive environment, managers are required to identify and understand the issues as a precondition of strategic changes. On the strength of this fact, management accounting represents a key role in strategic decision-making. The purpose of this research paper is to provide information regarding importance, evolution and current stage of management accounting. Furthermore, identifying the role of the information provided by the management accounting and the quality of this information to support the management decisions, constitute another objective related to this research. In order to achieve all the proposed targets, this research is based on the method of documenting and reviewing the specific bibliography, published at national and international level.*

Key words: management accounting, strategic decision, information

JEL code: M41

Introduction

Management accounting has progressively evolved from the role of recording information on cost calculation, to that of informational support in making management decisions. Providing cost-type information in the shortest time possible for substantiating managerial decisions allows the establishment of medium- and long-term strategies that have as their starting point the reports of managerial accounting. Thus, new objectives, calculation methods adapted to them are established and the human, material and time resources necessary for the implementation of the related operations are established, as well as plans for improving the existing activity.

The evolution of accounting systems must be viewed and analyzed in close correlation with the evolution of the economy, as the evolution of the economy has required the development and emergence of new concepts in management accounting, especially due to the evolution of information technologies and not only. The increase of the interactivity of the world markets and of the competition determines the cooperation of the specialists of different fields: accounting, management, quality assurance, informatics for the increase of the efficiency and the continuity of the activity.

Emerging from the need of managers to run their businesses as efficiently as possible, management accounting has gone through several phases in its evolution. If at the beginning, it was a financial information system, now it encompasses a whole arsenal of external, strategy and future oriented tools.

Management accounting appeared as a complement to the financial accounting due to the need for additional internal information regarding the activity of the economic entity, which generates analytical data, especially regarding the production. The recognition, from a conceptual and normative point of view, has been realized subsequently to the financial accounting, both on global level and also in Romania.

---

[1] 1 Decembrie 1918 University, No. 5, Str. Gabriel Bethlen, Alba Iulia, Romania, delia.bugnariu@yahoo.com
[2] 1 Decembrie 1918 University, No. 5, Str. Gabriel Bethlen, Alba Iulia, Romania, patrizia_palma@yahoo.com

Management accounting plays an extremely important role in supporting management in making the best decisions, providing internal use information that aims to effectively manage assets. It has the role of supporting the business of the inland enterprise, by designing, implementing and managing internal information systems.

These evolutionary changes in management accounting have conditioned the improvement of cost calculation methods and the emergence of new, more efficient and integrated methods in the management system.

Practice has shown that management accounting tendencies are to record resource consumption, as accurately as possible, and to provide relatively low utility computation. The application of new methods of cost calculation, alternative to the traditional ones, comes in support of reducing the time of collection and processing of information on costs in order to increase the control of the economic activity and optimize the decisions.

Literature review

In order to make sense of strategic issues, managers must relate the company's strengths and weaknesses to specific opportunities and threats embedded in these issues. This requires information from the internal as well as the external environment (Garg et al, 2003).

Management accounting is too often reduced to cost accounting, as though costing were the sole central issue to managers. Yet, the usefulness of management accounting reports lies in data relevancy for management, i.e. the extent of their supporting of decision-making (Anthony, 1965, 1988).

Management accounting provide pertinent information which helps managers, to make the best and more efficient decisions. An analysis of the relevante literature indicate that an understanding of accounting requires an understanding of the need of economic information and how important is that information to be accurate.

In addition, we must understand the decision- making process and be able to identify the users of accounting information. The management accounting communicates relevant information to people who have an interest in the respective company. Those users could be internal (managers, shareholders, employees) and external (creditors, government, potential investitors). Managers require information that will assist them in their decision-making and control activities; for example, information is needed on the estimated selling prices, costs, demand, competitive position and profitability of various products that are made by the organization. Shareholders require information on the value of their investment and the income that is derived from their shareholding. Employees require information on the ability of the firm to meet wage demands and avoid redundancies. Creditors and the providers of loan capital require information on a firm's ability to meet its financial obligations (Colin Drury, 1992).

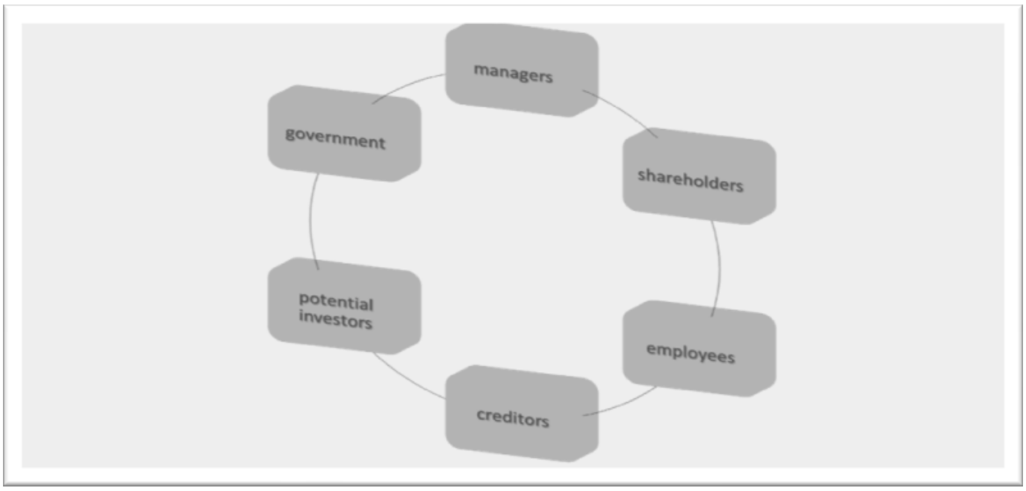

Fig. 1. The users of management information
Information source: Colin Drury, 1992

In practice, decision-making involves choosing between competing alternative courses of action and selecting the alternative that best satisfies the objectives of an organization. The separation of strategic sense-making into three process steps is needed and helpful to focus our attention on specific aspects in this process (Daft and Weick, 1984).

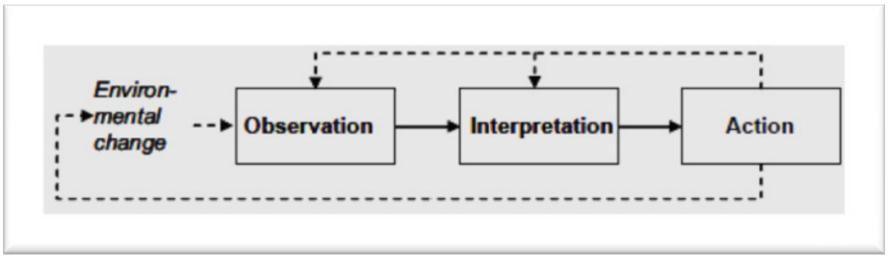

Fig. 2. Process of strategic sensemaking
Information source: Daft and Weick, 1984.

The observation and interpretation are difficult to separate as they happen at the same time and each of these activities depends on each other. As soon as managers observe more about the related environmental changes, or observe a reaction to previous actions, they will start to rethink previous interpretations, learn further about them and act again. Therefore, the three stages of strategic sense-making are interconnected through feedback loops. (Daft and Weick, 1984).

Research methodology

In order to fulfill all the objectives proposed within this research, it approaches different research methods.

From our point of view, the method of documentation is the most important and common method by which the researcher is thoroughly informed about the subject. This method was used by consulting the specific working papers, articles and various publications, informational databases and normative acts in force, as well as direct documentation that implies knowing the practical reality within a company.

The normative research involves the study and interpretation of the Romanian legislation in the financial and management accounting. The scientific approach is based on the study of the specialized literature and on the practical experiences of the automotive industry.

The theoretical content supports a better understanding of the economic-financial situation within the entity and represents the scientific support of the whole approach.

Results and conclusion

Strategic decisions have an effect on the company's future, and it is therefore essential that adequate information is gathered about the company's potential and the environment in which it operates. Besides strategic or long-term decisions, management must also make decisions that do not commit the company's resources for a lengthy period of time. Short-term decisions are based on the physical, human and financial resources available in the present.

The implementation of the management accounting is necessary because the information provided by it is important for the decisions that lead to the reduction of costs and to maximize profit. For example, he information obtained after processing the data provided by the management accounting helped the entities management to make the equipment operating time more efficient, to improve the process of supplying with raw materials, to reduce the personal costs and o identify the scrap issue.

In our opinion, at the company level and also at national economy level, management accounting has become the most important source of information regarding economic activity. Therefore, it needs to be developed in order to allow a better accuracy of accounting information and adaptability to user needs.

The information provided by the management accounting obtained in a timely manner, must be relevant for the managers and to represent a solid basis of the strategic decisions. Management accounting represents a powerful mechanism because most of the information regarding how to allocate and distribute the entity's resources is given by it. Because costs changes are directly reflected on company's performance, at company level, knowing the costs is essential and the strategic decisions depend on the accuracy of considered information. These changes have triggered the improvement of cost calculation methods and the emergence of new, more efficient and integrated methods in the management system.

References

1. Achim S. A., 2009. *Contabilitate pentru manageri*, Editura Risoprint, Cluj-Napoca.
2. Briciu S., Căpuşneanu S., Rof L., Topor D., 2010. *Contabilitate şi control de gestiune. instrumente pentru evaluarea performanţei entităţii*, Editura Aeternitas, Alba Iulia.
3. Căpuşneanu S., 2006. *Contabilitate de gestiune. Studii aplicative şi teste-grilă*, Editura Economică, Bucharest.
4. Căpuşneanu S., 2008. *Elemente de management al costurilor*, Editura Economică, Bucharest.
5. Chapman C., 2005. Controlling strategy. *Management accounting and performance measurement*, Oxford University Press.
6. David Mueller, Ralf Trost, 2018. *Game Theory in Management Accounting,* Springer International Publishing AG, Cham Switzerland.
7. Diaconu P., 2002. *Contabilitate managerială*, Editura Economică, Bucharest.
8. Drury C., 2006. *Cost and Management Accounting*, Thomson Learning.
9. Drury Colin, 1992, *Management and cost accounting*, Editura Chapman & Hall, Hong Kong.
10. Ebbeken K., Possler K. L., Ristea M., 2000. *Calculaţia şi managementul costurilor*, Editura Teora, Bucureşti.
11. Fatacean G., 2009. *Contabilitate managerială*, Cluj-Napoca.
12. Heidmann Marcus, 2008. *The Role of Management Accounting Systems in Strategic Sensemaking,* Deutscher Universitäts-Verlag, Germania.
13. Jinga G., Dumitru Mădălina, 2014, *Environmental management accounting. A case study focusing on a romanian morocco goods producer*, Annales Universitatis Apulensis Series Oeconomica, 16(1), 142-155.

14. Schiller, S. (2010). *Management accounting in a learning environment. Journal of Accounting &Organizational Change*, 6(1), 123–148.
15. Simmonds, K. (1986). *The Accounting assessment of competitive position. European Journal of Marketing,* 20(1), 16–32.
16. Smulders, F.E. (2004). *Co-operation in NPD: coping with different learning styles. Creativite and Innovation Management*, 13(4), 163-273.
17. Tabara N., 2009. *Management control*, TipoMoldova Publishing House, Iasi.
18. Vassili Joannidès de Lautour, *Strategic Management Accounting*, Palgrave Macmillan, France.
19. Verboncu, I., Zalman, M. 2005. *Management and performances,* Universitara Publishing House, Bucharest.
20. www.revista.cafr.ro.
21. www.anre.ro .
22. www.ier.ro.
23. www.bp.com/statisticalreview .
24. http://www.jstor.org.