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MANAGEMENT ACCOUNTING: THE BOUNDARY BETWEEN TRADITIONAL AND MODERN

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Abstract

Recent research in the field of management accounting reveals a significant evolution of its fundamental concepts. These focus on the key issues of the managed activities in direct relationship with the decision-making. The cost analysis and calculation, as the primary accounting management objectives, is carried out in a wider context as compared to the traditional one, in the sense that there is an ever closer link between these specific activities and the elements related to the organization's strategy. Thus, cost information has a special role in developing better strategies to give organizations a sustainable competitive advantage.

Keywords: cost effective, advanced production technology, costs by activity, target costs, cost management.

JEL Classification: G3; G32; G34.

1.INTRODUCTION

Economic competition, which has become increasingly fierce today, requires economic efficiency and performance. On the other hand, the fulminating evolution of technologies requires a continuous updating and new forms of organization and management of activity. In this dynamic context, managerial accounting is vitally important because it transforms organizations and exerts an influence on the social, economic and physical environment. Business decisions about new products, pricing policy, recruitment and payroll are trivial to accounting information, and managerial behavior is influenced by accounting data because it has an impact on their ability to act, managers being at the same time producers and recipients of this information.

In recent years, due to the increased competition, the complexity of internal production processes and the multitude of products and services resulting from products, management accounting has become an indispensable practice and

activity for organizations because it not only allows for a better knowledge of the costs but also because it allows the setting of the sales prices, the realization of the forecasts, respectively the means and the tools needed for the decision making, the achievement of the organizational performances. The continuous change and development of the economies, processes and organizational activities, the conditions of production and distribution of products and services, entails constant monitoring and development of the management processes, methods, techniques and management tools, both at the practical and theoretical level, so that it can best meet the organizational needs. As a result, management accounting research exists because, at the level of organizations around the world, this is a well-established and highly-used practice.

2. THE PURPOSE AND ROLE OF RESEARCH IN MANAGEMENT ACCOUNTING

Research in the field of accounting management is carried out in order to meet the information needs of two categories of users (Briciu, 2017, pp.127):

Researchers / academics - are interested in the results of research undertaken to better understand new, evolved and modern phenomena, theories, methods and tools that meet the requirements both in terms of content and utility;

Practitioners appreciate that the goal of research in management accounting is to describe, explain and disseminate the techniques used by organizations around the world, to clarify and improve the practices used by organizations in the world, thus opening doors to practice-oriented research. Based on the results obtained, published and disseminated, practitioners can obtain solutions and proposals to solve certain problems, get a general overview of the practices and guidelines of organizations around the world or organizations in the same field of activity; receive solutions and proposals on adopting, implementing or, on the contrary, giving up certain techniques, methods or tools of work; respectively they can receive guidance on the future developments and evolutions of the activity carried out.

The profound mutations of the Third Millennium have transformed the management accounting information system into a "black box", the most important source of information in a socio-economic context. Managerial accounting is a guidance tool, a management adviser providing the "database" needed for leadership in decision-making. The information thus provided gives managers the opportunity to choose the best programs and to set up a specific economic policy line.

Technical progress requires advanced production technology and, implicitly, revolutionizes, besides product design also the remodeling of management accounting. Under these circumstances, it is absolutely necessary to abandon the traditional calculation systems in favor of modern costing systems.

This hypothesis is pertinent in the context of efficiency, effectiveness, and rationality of the information systems folded on the requirements of modern management. However, we currently live in a world of limited resources, which also requires a rigorous analysis of the social, economic, cultural, historical context of the entity that implements a particular costing method. By making use of the only inexhaustible resources, creativity and intelligence, we must objectively decide the appropriateness of a particular calculation system (Diaconu, 2013, p. 108).

Change is beneficial to any organization when it is one of substance, a profound restructuring and not just an imitation of the form on an inexistent basis. An analysis of the current trend of adopting modern calculation systems to the detriment of traditional ones and of the adaptability of this reform in general practice, and especially in Romanian practice, is relevant. Thus, the theory, the ideal state, must be adapted in an appropriate manner to practice, the real state, in fact.

The Society of the Third Millennium is a universe of uncertainties, of limited resources, speculation, of lightning overthrow of situations, being in general the equivalent of an unfavorable situation that pushes us to a permanent identification of saving solutions, that is, to capitalize on the unique inexhaustible resources, creativity and intelligence, in order to be able to excel in this ungrateful and wicked environment.

Technical progress, environmental instability and the complexity of the informational circuit have led to the need to introduce the concept of flexibility in the context of a true management of the phenomenon of change. The management of economic entities, which is responsible for ensuring the organization's vitality and robustness to change, thanks to the constant coordination of its activities, efforts and resources, comes to their support as a guide to finding the right way in confusing circumstances, to strive to give meaning to ambiguous messages, read the signals, look around and listen all the time, deal with conflicts, and strive to accomplish your tasks by establishing and maintaining a network of relations and relationships. In order to manage the future and to constantly report to it, managers must have at their disposal an efficient information system, a true reliable tool, to allow them to know, at any time, the situation of the company, its objectives and the situation of the competitors. An important source of information is provided by accounting in general and by management (managerial) accounting in particular.

Management accounting represents accounting beyond appearances, beyond the curtain and the limitation pointed out through financial accounting, in its depths, at the origin of the implementation in an organizational system. Management accounting seeks to identify part of the solution and eliminate part of the problem. This is the cornerstone, the foundation of all entities operating in the economic environment, so that any imbalance generated by various internal or

external disturbing factors can only be rectified by a reassessment in another perspective of management accounting.

The continuing globalization of the markets and the rapid technological change in production have created fierce competition all over the world. In order to achieve any competitive advantage, the functional entities in a society must adopt strategies that integrate the opportunities of the environment, the market, and the advantages of the technique in the most efficient way. In this context, there is the issue of modernization, management accounting transformation, an adaptation to the realities and exigencies of the present, to the modification of the tools, processes and work methods to correspond to current technical and scientific progress.

The following problem arises: traditional calculation systems have become totally ineffective, remaining only a theoretical part in the evolution of management accounting history, leaving the place for modern calculation systems to suit the current requirements. Many would unambiguously support this current trend, but it is good to always be aware that theory is an ideal, pure state, while practice actually gives birth to real status. So we need to know our past very well in order to move forward with certainty.

Every type of calculation system, both traditional and modern, has its place well deserved. However, management accounting is presently at the limit between traditional and modern, being a well thought-out mix and adapted to the specificity of each entity, representing the "internal cuisine", in which the chef always succeeds to surprise by adding a new spice to a traditional culinary specialty.

3. MANAGEMENT ACCOUNTING - A FUNDAMENTAL TOOL OF THE MANAGEMENT ACTIVITY

Accounting is the unparalleled judge of the past, the necessary guide to the present and the indispensable advisor of the future in each enterprise. Under the current market economy conditions, management accounting is an up-to-date approach and a real interest for both specialists and business leaders alike. In the current context, managers need to assimilate elementary knowledge of management accounting, consisting not only of specific terminology but also of some essential techniques in this field regarding the efficient use and management of information available for decision-making, but especially the understanding of the boundaries of this information.

Businesses once entering the market are required to create a management information system designed to provide their protection and the ability to respond to shocks created by competition, as well as the exacerbation of the turbulences in the external environment makes it imperative to assimilate the essential knowledge of the management accounting by the managers so that they can base their

decisions on a real basis in order to ensure the survival of the entity whose leadership they are responsible for, and last but not least, to ensure the desired performance. Currently, the need to manage a complex set of complex problems faced by any organization makes management accounting one of the most handy tools available to the manager, which he can use to evaluate opportunities, orientate directions of action, and develop company strategy.

Managing accounting is an accounting information system that aims to help managers and influence behaviors by shaping the relationships between allocated and consumed resources and the goals pursued. So managers use accounting information to trace the general trajectory to be followed by the entity by implementing an optimal strategy for the predefined purpose of managing each of the activities or functional spheres they are responsible for and coordinating these activities or functions within the organization as a whole. In order to cope with the technological process, the fierce competition from the market, and especially the achievement of the fundamental objective of any organization, that of strengthening their market position, the decision makers will have to organize, implement, supervise and improve an internal information system. It takes the form of management accounting and it is the foundation of leadership.

In the past few years, the role of an accountant in an organization has passed from a numbers' processor and financial historian, to business partner and trusted advisor. It follows the obligation to correlate the management accounting information provided with the entity's objectives, only thus management accounting can be a useful tool in the decision-making process. In this respect, both the managerial accounting and the management of an organization need to develop a genuine solid business partnership. Management accounting should aim at both knowing the costs and shaping the decision makers' behavior. Of course, in a complex, turbulent and uncertain environment, managers' information needs grow and diversify, and management accounting as a privileged source of information for the management system can meet management requirements, provided they permanently adapt their tools and practices to the decision makers' demands.

4. THE LIMITS OF THE TRADITIONAL CALCULATION SYSTEMS

The aspects of traditionalism and conservatism found in the cost calculation have become increasingly apparent during the course of technical progress. As a result, there has been an acute need to improve the processes and calculation techniques by formulating computational systems appropriate to the state of evolution of the production technology.

Thus, the specialty literature strongly advocates the abandonment of the traditional or classical systems for processing cost information, deemed inappropriate to current requirements, and the introduction of modern or evolved

methods, the effectiveness of which would be superior. Traditional calculation systems on orders, phases and standard cost calculations, still widely used, were adopted in the first half of this century to calculate production costs in the types of enterprises that existed, characterized by the predominant share of the total costs of direct expenses, the promotion of uniform and standardized products, the trend of product preservation, and also of calculation methods. According to classic systems, all indirect expenses are affected by the cost, sized according to the volume of activity (Dubruelle, 2016, pp.87-98).

Within the economic entities from our country, the cost calculation is in most cases conservative, as the methods used nowadays are the same ones as three decades ago, despite the fact that the character of production in our country has seen an upward trend. Thus, the cost calculation is exclusively based on the method on orders or the phase method, sometimes combined with different procedures specific to the concrete conditions of each entity (Briciu, 2017, pp.127). The pre calculation practiced at the section or workshop level is completed with a post calculation performed within the accounting compartment. The classical computing systems have the disadvantage that they have reduced information capacity, not having the potential to provide operational information to the company's management in time, in order to make optimal decisions. The post calculator of traditional methods leads to obtaining of late, uncooperative information and by the reflection of certain aspects of production that cannot be interfered with.

Due to these inconveniences, the actual cost is called historical cost in the specialized literature. The continuous evolution of technical progress, the obvious changes in the conditions of competition in the internal and external markets have put their mark on traditional computing systems, characterizing them to some extent as ineffective. In the new current environment, the entity is automated and computerized, products have a short life cycle, services evolve, constantly adapting to consumer requirements.

In the field of competition we can see an evolution of the criteria that characterize the way of its manifestation, from purely quantitative criteria (price) to qualitative criteria (product quality, security of services offered, etc.). But it is obvious that the information management accounting system only integrates to a small extent the qualitative aspects, generally limiting to the quantitative ones. Another aspect highlights the change in the structure of production costs, in the sense of increasing the share of indirect costs at the expense of direct production costs, which vary in the long run depending on the product range and the complexity of the manufactured products (Fisher, 1995, pp. 24-29).

Concluding, it can be argued that the rigidity of the current management information system makes it difficult to track costs, set standards, analyze product and service deviations, in the context of mutations in the current economy. It is thus felt the urgent need for a true cost management by building a pertinent information system tailored to current requirements.

5. EVOLUTIONARY TRENDS IN COST ACCOUNTING

The unprecedented evolution of production technologies, the changes mainly manifested in the new competitive environment, have proliferated in the literature a series of new theories and concepts that reflect, in addition to the novelty aspect, also a special purpose in terms of efficiency at the level of the entities where they found their practical applicability.

Converged studies and concerns of the accountancy specialists with those in other related fields such as marketing, management, etc. have generated a real revolution in the methodology of costing systems. Thus, the way in which products are made is characterized by drastic changes based on the use of advanced production technologies, especially in the case of world-class producers.

The concept of advanced production technology includes automated production technologies, computer-aided design and production, robotics, flexible production systems, total quality control, total quality management, and so on. The retrieval of these methods, techniques and programs within an entity is depending on its success or failure, its existence on the market or its bankruptcy.

According to accountancy specialists, traditional costing and measurement systems are practically incompatible with the use of advanced production technologies. Johnson and Kaplan state that most all of the accounting management instruments appeared until 1925 (Johnson & Kaplan, 2011, pp. 125-128) and Peter Drucker drew the attention, since the 1960s, to the risk of using traditional cost systems which were losing relevance in an environment that had nothing in common with the period in which these systems have been designed and developed. Professor R.S. Kaplan says that traditional managerial accounting produces "simply wrong measures (Johnson & Kaplan, 2011, pp. 137-140).

It directs the company in the wrong direction, rewards managers for endangering the business, and does not provide any improvement. The best thing we can do is to deactivate it, even stop it! (Lucey, 2015, pp.268).

Given the radical plea to exclude traditional systems from practice, it is desirable to refine the cost system by better appreciating the uneven consumption of resources. This has resulted in two types of costs that primarily concern the overall management of resources and the behavior of those involved. These are costs per activity (by process) and target costs. The Activity Based Costing system highlights the causal link between resources, activities, and the object of calculation, based on the principle "activities consume resources and products consume activities". Such an approach involves abandoning the vertical leadership of the enterprise focusing on functions and the adoption of a transversal approach, along the value chain, a concept developed by Michael Porter. Costs per activity (per process) do not only respond to the ultimate goal of cost classification, they can serve equally as inventory valuation, but also in the decision-making process.

The ABC system is more complex "promising" a "cleaner" cost, more useful to the managers.

Target Costing is part of a broader approach which aims at analyzing the cost carrier throughout its lifespan, but especially at the initial stage. The target costing system is a market-oriented approach that is applied from the design phase of the product. The design of the product takes a long time because it is still being pursued at this stage to eliminate any further changes that are more costly to implement (Dumitru & Ioanăș, 2017, pp. 255).

The target cost is determined by deducting from the sales price of the product, the service, a profit margin that the enterprise wishes to obtain. Target costing is not just a cost control method, but also a profit and cost planning approach.

6. CONCLUSIONS

From the extensive theoretical plea, overflow the superior benefits of modern costing systems, promoting the idea of transforming traditional systems into a history page in the specialized literature. The spirit of abandonment of traditionalism is unanimously sustained, but that thought note must be kept constant even under theoretical ecstasy because we risk that any economic advantage to be ephemeral and any bet on the future extremely risky.

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