

Iryna Shchyrba

Department of accounting and audit of Ternopil National University of Economics

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Management accounting in the management system of the enterprise

Abstract

The article outlines the preconditions for the formation of management in the market economy, as well as analyzes the relationship between managerial accounting and management in the area of providing managers with the information necessary for planning, valuation, control and evaluation of production and commercial activity of the enterprise.

Keywords

management, management accounting, planning, control

Introduction

The functioning of the market requires adequate management system as the most important factor of influence on personnel in order to achieve the set goals. Effective management in the conditions of market relations can't be imagined without a management system as a scientific concept of relations between people about the planning, organization, motivation and control of production, commercial and financial activities of the enterprise.

The development of the economy is accompanied by a constant complication of economic phenomena and processes, which predetermines the objective need for improved management and the use of an increasing amount of information resources.

Some issues of the theory, methodology and organization of management accounting in the management system were reflected in the works of leading foreign and domestic economists. However, it should be noted that in Ukrainian practice, economists and managers haven't developed an understanding of the trajectory of business development, which is important for the formation of competitive advantages and the strengthening of positions among competitors. In this connection, serious scientific research is required on the role of managerial accounting in the management system of the enterprise.

The purpose of the article is to study and justify the information function of managerial accounting in the enterprise management system.

Management in Ukraine is at the stage of formation and in general it can be characterized as inadequate to the requirements of the market environment. The functioning and development of the market environment in our country requires radical improvement of management practices, since it is usually in the second of four levels associated with the use of “sound sense” management.

“Over the last decade, management has become a scientific and applied in all industrialized countries of the world, which has enabled many countries that have initially used various factors of production development, achieve significant results in overcoming crises and lagging behind, and also a rapid economic recovery”¹.

For the formation of management that corresponding market conditions, some economists consider the need for such prerequisites: the existence of various public institutions and production structures that operate on the market and which requires management to achieve their goals. For its part, management can't exist outside organizations; concentration in the organizations of individual workers or their groups, which perform certain work, and thanks to management it coordinates and organizes; management requires for the performance of any useful work the relevant material, financial, personnel, information and other resources, the use of which requires organization and coordination, especially when they are limited or too expensive; the management system acts as a price mechanism when it is necessary to take into account transaction costs in order to increase the efficiency of work; the balance of success (achievement of the set goals) organization and the productivity of its activities (the level of use of resources) are based on quality management, and therefore an important factor in the organization is called the formation of a team based on the criterion of knowledge and skills².

As a new type of activity, management was formed in the 30's of the 20th century as an economic science in the most developed economies in the world at that time, in the center of which there were staff problems, types, forms and methods of influencing people in order to increase efficiency of their work.

The world-famous fundamental Oxford Dictionary of English, first published in 1933, management is characterized as:

- 1) the way and manner of communication with people. The ways of communication formulate science, they can be studied and even trained to use effectively. Widely known, for example, rules of the effective conduct of business meetings, negotiations, telephone conversations, etc. As for the manner of communication - this is part of the art of management, which the manager has to master on his own.

¹ Сердюк О.Д. (2004), Теорія та практика менеджменту: [навчальний посібник] / О.Д. Сердюк. – К.: Професіонал

² Стеценко І.Т. (2005), Основи менеджменту. Хто такий менеджер: [навч. посіб.] / І.Т. Стеценко– К.: А.С.К.

Moreover, the manager must take into account the individual traits of his character and style of management, especially the subordinates, the specifics of the enterprise;

- 2) the power and art of leadership. This authority of the position, the duty of subordinates to comply with the orders of the head; the authority of the manager's face, who is being heard because he offers more sophisticated solutions that generate revenue for the company and its employees;
- 3) a special kind of skills and administrative skills that make it possible to organize effective work of the management apparatus, which consists of numerous services and skilled workers;
- 4) administrative bodies, administrative units.

Such an interpretation of management tested at times is modern now, more than half a century, since its components remain the same³.

The deeper content of management reveals its principles and functions. The principles of management are objectively justified rules of activity of managers during enterprise management. Thanks to principles methods of management can be realized. If the principles of management are permanent and binding, then the methods - may vary depending on the conditions of the enterprise.

Effective management in management theory should be based on the following basic principles: 1) in economic activity, the main element is considered by man as the main source of increase of labor productivity and production efficiency; 2) to plan the activities of large companies (in this regard, they are compared with the state, with a planned economy); 3) provide units (departments) and their employees with a certain autonomy that stimulates their entrepreneurship; 4) to focus on the needs of consumers, which are achieved by rational marketing activities; 5) to adhere to such a form of management that is adequate to the specifics of financial and economic activity; 6) concentrate the company's efforts on profitability of the business; 7) to implement a policy aimed at forming in a company not one but many leaders and innovators, to stimulate them a justified degree of risk; 8) organically combine the autonomy, the freedom of separate units, their representatives with the level of coercion in cases when it comes to the basic values of the company – quality standards, services, etc⁴.

The essence and content of management is revealed through the definition of its functions. Management functions are constantly updated on the basis of the division and specialization of managerial work at one or another stage of development of the

³ Файоль А. (1992), *Общее и промышленное управление* / А. Файоль. – М.: Экономика

⁴ Мескон М.Х., Альберт М., Хедоури Ф. (1992), *Основы менеджмента* / М.Х. Мескон, М. Альберт, Ф. Хедоури - [пер. с англ.] – М.: «Дело»

economic system. Management functions historically arise and develop as society develops, deepening scientific and technological progress, science and management practices.

In the Ukrainian and foreign economic literature, the functions of management are disclosed quite thoroughly, although there are different approaches of authors to their interpretation. Some authors to the management functions include planning, organization, coordination, motivation and control. Others distinguish between planning, organizing, regulating, accounting, controlling, analyzing and stimulating. However, the most widely used viewpoint is that the management process is divided into four interrelated functions – planning, organization, motivation and control.

The latter approach is most attractive, as our research shows that these functions are involved in the implementation of any managerial process. With regard to such functions as coordination, regulation, accounting and analysis, these important management levers are in fact components of planning, organization, motivation and control.

In addition, it is worth noting that the number of functions can be expanded, as is usually done by Ukrainian economists, although more than a quarter of a century, the vast majority of management professionals offer to allocate four functions of the overall management cycle.

Management functions are in a dialectic relationship, interdependence and unity, and they are inherent in the management of all levels of any enterprise, regardless of its sectoral peculiarities of activity. In the process of control, they interact, penetrate into each other. To effectively implement a function in a practical activity, it is necessary to integrate it into a certain management technology through a variety of methods of managerial influence on the personnel used in this technological process.

Among the functions of management, a special role is played by the control function, which includes separate subsystems of accounting (financial, managerial, strategic), controlling, various types of analysis, audit, verification, etc. The control is carried out by comparing planned (forecasted, budget) and factual data on the facts of economic activity, business processes, income, expenses, financial results, etc. Detection of deviations and analysis of their causes allows us to develop measures to eliminate negative and consolidate positive factors of influence on the achievement of certain tactical and strategic goals.

Control, as a function of management, combines the types of management activities that are associated with the formation of data on the state and functioning of the economic entity (accounting), the study of information on the results of activities (analysis), as well as conducting diagnostics and evaluation of development processes and

achievement of goals, effectiveness of strategy, successes and miscalculations in the use of tools and methods of management⁵.

The accounting system occupies an important place in the enterprise management system. As H. Kyreytsev wrote: “The subsystem of accounting in the management of production is called by the implementation of the information function to provide feedback between the subjects and objects of management, the relationship between management functions and thereby maximize the development of other subsystems, functions and management mechanism in general, increasing its influence on the efficiency of production”⁶. Without a well-developed system of accounting and obtaining information about past, present and future economic life of an enterprise, it is impossible to make well-grounded management decisions that are related to business risk and loss of control over financial and economic activity. The accounting system is designed to reflect the processes of production, distribution, exchange and consumption, must be based on domestic and international standards, meet the needs of internal and external users of information, identify reserves for improving the efficiency of production and be a “business language”. Being a service center for generating information for the management process, the accounting system provides important information that allows managers to control their current activities, plan their tactics and future development strategies, use rationally limited production resources, and evaluate the performance of the company and its subdivisions. The managers and managers of the company are the main internal users of the accounting information they need to plan, monitor, analyze and evaluate all important aspects of the enterprise.

It is known that the purpose of financial accounting is the preparation of data for the formation of indicators of financial statements of the enterprise, which characterize the work of the enterprise in the past period under the standard limited set of economic indicators. Management accounting generates original information in real time for managers of different levels, which is necessary for them to perform the current work (during the day, decades) and the regulation of the actions of the personnel (individuals, teams, work changes, etc.). Consequently, managerial accounting serves the management and managers of enterprises at all levels of management, providing them with information for planning, monitoring, evaluating performance and making informed managerial decisions.

The globalization of the economy, the development of transnational corporations, the concentration of capital, inflation, external and internal competition, the complexity

⁵ Белінський П.І. (2005), Менеджмент виробництва та операцій: [підручник] / П.І. Белінський. – Київ: Центр навчальної літератури

⁶ Кирейцев Г.Г. (1992), Функции учета в механизме управления сельскохозяйственным производством / Г.Г. Кирейцев. – Киев: Изд-во УСХА

of economic ties, the emergence of new market instruments has led to the fact that managers can't perform their work on the basis of information about the past (financial accounting) for them additional information is needed from management accounting in order to increase the level of management efficiency. Accounting activity is closely linked and intertwined with all management functions in the management process. None of the management functions can be performed unless access to the information of the managers implementing them is provided. Such information for management is generated by a real-time management accounting system that characterizes the enterprise's internal environment (tracks, records, measures individual operations, processes, and economic phenomena not only in monetary but also in physical, technical, organizational dimensions).

The planning process depends on the appropriate accounting and analytical support. The relationship between planning and management accounting is based on information on the results of the activities of the entity and its structural units (cost centers) in past periods, taking into account future development prospects. The exchange of information between the system of management accounting and planning is carried out through internal reporting (reports of logistical persons, reports on the use of equipment, working time, signaling deviations from regulations, etc.), registers and tables. Therefore, it is important to include in the system of internal reporting, accounting registers and tables of planned and normative indicators. When applying the normative method of cost accounting determine the costs of parts, units, products within the limits of norms, and with deviations from norms and changes in norms, initiated by managers, fix the causes, perpetrators, factors of influence, which makes it possible to daily assess the course of business processes, technological processes. The application of the regulatory method improves the accounting and analytical provision of management and enhances direct and feedback relationships between management and planning.

Increasing the efficiency of the enterprise requires the creation of an optimal organizational management structure. Management accounting forms information according to separate production units (cost centers – shops, sections, etc.), and in the centers – in terms of areas of responsibility (foremen, technicians, power engineering specialist, etc.). Thus, effective management is carried out on the basis of the allocation of cost centers and areas of responsibility within which the managers are responsible for the results of the work entrusted to him unit, which creates the opportunity to record the costs and performance. Selection in the management accounting of cost centers requires decentralization of the organizational structure of enterprise management. The relationship between the function of organization and management accounting is that in the area of organizational structure, the issues of distribution of authority, subordination and

specialization are solved, and in the system of managerial accounting, determine the costs of production by separate centers and areas of responsibility⁷.

The function of the motivation is that the managers of the company perform work in accordance with the rights, responsibilities and responsibilities for the implementation of plans and budgets delegated to them. The manual is reduced here to the definition of a complex set of needs and the ability of staff to meet them by doing work. For good work, managers are rewarded on the basis of incentive provisions (moral and material). Stimulation is carried out on the results of work (implementation or overfulfilment of plans, budgets, saving resources, energy, high productivity, etc.).

Control is one of the management functions without which other functions can't be implemented, since they are interrelated. Indeed, there can be no control without planning, and in turn, planning is one element of quality control planning. The records reflect plan indicators, and the planning takes into account actual information on the implementation of plans. The control is carried out at all stages and can be preliminary, current and next. Control provides an assessment of the effectiveness of work as separate structural units (cost centers) and the enterprise as a whole. The control function involves collecting, processing and analyzing information about the actual results of all units of the enterprise, comparing them with plans or budgets, identifying deviations and analyzing their causes, and developing the measures necessary to achieve the goals set. The implementation of the control function is carried out by the administration and enterprise managers based on the reports generated in the system of managerial accounting. Management accounting provides information on each level of management based on the needs of managers. Of particular value is the control over the work of the respective areas of responsibility in the application of the regulatory method of cost accounting, which, in turn, requires the appropriate organization of management accounting. The control is based on a subsystem of management accounting and internal reporting (financial and production indicators) and their analysis. In the management system, management accounting is not only a source of information about management objects, but also an element of control over their state and changes in time and space.

The accounting data serves to obtain information and perform all functions of management and, as noted V. Sopko "accounting has not only a cross-cutting nature, but is a prerequisite for the consistent implementation of all subsequent management functions"⁸.

⁷ Кирейцев Г.Г. (1992), *Функции учета в механизме управления сельскохозяйственным производством* / Г.Г. Кирейцев. – Киев: Изд-во УСХА

⁸ Сопко В.В. (1992), *Бухгалтерський облік в менеджменті: [посібник для підприємців]* / В.В. Сопко. - К.: Редакція газети „Соборна Україна”

Conclusions

Management accounting, as a component of the business entity business entity, provides managers with the information necessary for planning, valuation, control and evaluation of production and commercial activity of the enterprise and its structural units. However, the accounting system of entrepreneurial activity can't be called completed and integral education, since business is developing historically and for management actual is not past or present (it becomes a story), but what will be in the future, which is determined on the basis of forecasting methods. It is in this direction that managers and accountants must work.

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