THE DUALISM OF THE ACCOUNTING ACTIVITY OF THE COMPANY. CHARACTERISTICS OF THE MANAGERIAL ACCOUNTING AND IMPLICATIONS IN THE MANAGEMENT OF THE COMPANY

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ABSTRACT: *The diversity of accounting information need led to the construction of two representations of the same reality: an "internal" representation and an "external" representation. Formally speaking, this dual representation consists of two elements of the accounting system of the enterprise: the financial accounting – "the external face" of the entity – and the managerial accounting – "the internal face" of the entity. The organisation of managerial accounting activity is up to each entity, but it is essential to realize its importance because it provides confidential information to managers for the evaluation, control and future management of the businesses. The practical activity of cost calculation and analysis should be by excellence a major component of the company's management that would ensure the realisation of competitive costs so that the pricing decision competes at obtaining a profit that would lead to the possibility of the company's future development.*

KEY WORDS: *managerial accounting; financial accounting; cost; management; centre; information.*

JEL CLASSIFICATION: *M41; M10.*

1. MANAGERIAL ACCOUNTING: CONCEPT AND OBJECTIVES

When the market belonged exclusively to the manufacturer due to the shortages of goods by demanded by consumers, the role of managerial accounting may be resumed to calculating the costs in order to allow manufacturers establish the prices. Over time, due to the increasing competition and consumers' importance on the market, as well as due to new ways of management, the accelerating technological evolution etc., accounting becomes managerial accounting. The priorities of the

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competitive companies are manifested through the ability to provide quality to their products, deliver them on time, ensure high performances of the products, provide attractive prices, etc. Managerial accounting is for the organisation the one that shall control production factors in order to get appropriate products and services in terms of quality and at reasonable cost; it serves as a tool for making decisions by the managers of the company. In Romania, the term of costs and works accounting is still employed (influence of the French accounting system), but we consider that managerial accounting reflects better its importance to the company's management, for taking the proper decisions in view of overcoming some obstacles related to the current competitive environment.

This is exactly why, we consider that the definition given by the Institute of Management Accounts - IMA) regarding the managerial accounting is very relevant: "*the process of identification, measurement, analysis, processing, interpretation and transmission of financial (and non-financial) information used by the management to carry out the functions of prediction, evaluation and control within the organisation and to ensure the proper usage and description of its resources*".

In another approach, managerial accounting is "*a branch of accounting which aims to track, calculate, analyze and control the analytical costs and results in terms of the specificity of the economic entity's components (departments, workshops, activities, etc.) consuming and producing useful economic effects*" (Neamțu & Teiuşan, [online]).

According to Professor Oprea Călin, managerial accounting can be defined "*as having as objective mainly the reflection of all operations of collection and distribution of expenses by destinations, i.e. products, works, services, orders, manufacturing stages, activities, departments etc., the settlement of obtained production, and also the calculation of production cost of manufactured products, works and services performed, including the production in progress*". (Oprea, 2002, p. 15)

Managerial accounting *is the analytical representation of internal processes of the company which bring both quantitative and qualitative transformations of the patrimony, provide managers from different organisational levels with information on the effectiveness of the activity they manage and on the factors hindering the managed system.* (Briciu cited by Bogdan, 2011, p. 40)

In Romanian legislation (OMFP 1826/2003) it is stipulated that, *depending on the specificity of the activity, managerial accounting shall mainly provide the record of operations regarding the collection and distribution operations of expenses on destinations, i.e. on activities, sections, manufacturing stages, cost centres, profit centres, as appropriate, and also the calculation of acquisition, production, processing costs of the incoming, obtained goods, work performed, services, production in progress, current assets, etc., from the production units, commercial, service, financial units and other fields of activity.*

We believe that this approach is narrower, targeting only the way organisations can organise the financial accounting, depending on the specificity of the activity. However, we consider that the Romanian legislators have understood the importance of financial accounting within the accounting system of the organisation and of the information needs. The activities carried out for the organisation of the managerial accounting can thus result in the collection, processing and presentation of data for production consumptions, product cost, revenue and expenditure forecasting by preparing budgets, control of budgets through deviations, determining profitability etc. Basically, several processes are considered in the organisation of the managerial accounting, each of which being able to be interconnected to the functions of the general management: identification, quantification, aggregation, analysis, preparation and interpretation, communication (Tabără, 1995, p. 43).

Therefore, we believe that, by organizing the managerial accounting, the accounting activity is more involved in the financial management of the company and provides vital information to internal users in several interrelated areas:

- *Cost analysis and estimation*: it is necessary to answer questions such as "How much did we spend on materials?", "How much did the manufacturing of product X cost?";
- *Coordination*. Through managerial accounting, an efficient dialogue between the technical staff and the staff involved in its organisation can be achieved;
- *Forecasting*. Estimating costs, incomes and profit [loss] is a task incumbent on the managerial accounting, in connection with the financial activity, these ones being main suppliers of information to achieve the forecasting function by determining the standard product cost and budgeting;
- *Control*. Through the information provided by the managerial accounting, especially in terms of actual costs, managers may see if there have been significant deviations from the forecasted costs, they can establish influences on the obtained results, take actions to correct the problems;
- *Decision-making process*. Managerial accounting provides the information that stands behind the studies and reasoning that allow making decisions for the future of the company. Moreover, this information may have a strategic importance, being involved in setting certain decisions from the different stages of the product's life. All managers need exact and relevant information in order to successfully conduct pricing actions, planning, operation actions and take other types of decisions.
- *Performance evaluation* is largely done based on the information provided by managerial accounting. For the evaluation of performances, the company's position to that of the main competitors will be considered.

Based on the above mentioned, we may conclude that the *functions* performed through the managerial accounting can be summarised as it follows:

- *determining costs* for products, activities and organisational units;
- *collaboration in sales price calculation*;
- *establishing the company's position from the competitors*;
- *it enables a dialogue* between the "technical" staff and the one involved in the financial management, the accounting activity and the general management;
- *it produces information* for the evaluation of performances at the level of the management, profit, performance centres or products;
- *it provides an meaningful assessment basis* for certain balance sheet items;
- *it explains certain results* based on the costs and sales prices;

- *it contributes to making the forecasts of* revenue and expenditure, while systemically tracking and controlling them and studying the deviations;
- *it provides information for foreshadowing* future development of the organisation;
- *it determines hidden costs,* unnoticed through the traditional accounting systems.

Among the obstacles that stand in the way of organising a real managerial accounting within Romanian companies, we mention (Dumbravă, 2003, pp. 253-254; Dumbravă, 2004, pp. 207-208):

- prolonged process of transition to a market economy;
- financial blockage, lack of competitiveness, genuine competition, proliferation of underground economy led by subjects with group interests, uninterested in transparency, control instruments and mechanisms;
- lack of experience in organizing;
- lack of aggressiveness of professionals who are interested in managerial accounting to emphasize its advantages, change of perception, to limit it only to calculating costs, revealing the products it provides, such as: calculations of costs and prices, evaluation of goods obtained, budgeting and monitoring that they do not exceed preset consumptions, configuration of production for certain profitability thresholds;
- limited computerisation of accounting work, in conjunction with systematic staff reductions from the accounting activity perimeter, which thus forced to overwork;
- lack of firmness in the implementation of certain regulations aiming important objectives of managerial accounting;
- the confusion regarding the compulsoriness to organise and manage the managerial accounting and the malleability in choosing one of the many types of organisation and management, depending on the specificity of the activity.

Although there are numerous obstacles presented, managers and accounting specialists within organisations should also take into consideration the field of managerial accounting, as it provides elements that could clear up the decision making process, being useful for the current Romanian management in view of organising current and future businesses, and all that is related to its uncertainty. During this period of legislative harmonization of the Romanian accounting system, managerial accounting represents an important field which should take the place it deserves as indispensable tool in the information accounting system, widely opening the doors to "business" (Cernuşca, 2004, p. 55).

2. FINANCIAL ACCOUNTING – MANAGERIAL ACCOUNTING INTERRELATION

The separate organisation of the financial and managerial accounting should not be seen as a separation of the accounting system because the two systems are interlaid. The two circuits, although they are structurally and functionally delimitated, they are elements of the same frame, which is the company, and together they should ensure its objectives. Therefore, the functions of the two circuits of the accounting activities management complement each other. The circuit through which the financial accounting is organised mainly caters for external functions of the company, while the managerial accounting activities are for the internal management functions, namely managers on their different hierarchical levels. The documentary basis for the two components is unique. By the support of a single document, where consumption is recorded, the operation is reflected both in the financial accounting and the managerial accounting. Obviously, the way documents are processed in accounting is subject to the requirements of each of the two subsystems of accounting.

The two subsystems of accounting complement each other under the information aspect, as instruments of the decision-making process. A series of aspects that differentiate the two accounting subsystems should however be taken into account (table 1).

Table 1. Particularities in the accounting subsystems

COMPARISON CRITERIA	FINANCIAL ACCOUNTING	MANAGERIAL ACCOUNTING
Primary users of information	External users and internal users.	Internal users and, rarely, external users.
Restrictive rules	Unitary rules, methods and organisation principles, recognised nationally and internationally	Its organisation is imposed by the legislation but its actual way of achievement is left to the company, having great freedom.
Purpose	Presentation of assets, liabilities and equity, financial results and the information provided is related to the results of the financial year.	Providing managers with information for planning, control and management purposes of the activity, and the information provided is related to the operating cycle.
Accounting system	Double-entry accounting system.	In several ways: Single-entry bookkeeping, using only the technical-operational records; as the accounting integrated with the financial accounting by developing the accounts in the financial accounting into distinct analytical accounts; in autonomous system, through the special accounts class (class 9)
Characteristic limitations	It uses past information (historical) and it often departs from the economic reality for legal and tax reasons; it does not notice the realities but under the monetary aspect; the global result calculated provisionally monthly	Unidentified

COMPARISON CRITERIA	FINANCIAL ACCOUNTING	MANAGERIAL ACCOUNTING
	and definite each year, is insufficient for a competitive steering of the company.	
Units of measurement used	Unit of account	Unit of account, natural or conventional unit of measurement
Key part of evidence and analysis	The organisation as a whole	Different structural subdivisions of the company
Information evaluation	In historical data	In historical data but also forecast data
Degree of objectivity	Accurate, verifiable data	Estimative data
Frequency of reporting	Regularly (monthly, quarterly and annually)	Irregularly, at the request of managers or shareholders
Advertising of information	Publishable information	Non-publishable information
Structure of financial statements	Standardised	Non-standardised, influenced by the users' information needs and the type of the business

Source: Sucală, 2004, pp. 822-823; Needles jr. et al., 2000, pp. 856-858; Melyon et al., 1994; Feleagă & Ionascu, 1998

Consequently, even if the two subsystems complement each other under information aspect, the distinction between them is, first of all, a tiebreaker between the information the company is forced to, willing to or interested in disclosing and the information it keeps for itself, exclusive information.

3. CREATING A FUNCTIONAL ORGANISATIONAL STRUCTURE THROUGH THE IMPLEMENTATION OF RESPONSIBILITY CENTRES

To maintain the normal operation and more especially to increase performance, it is necessary to adapt it to the changes of the business environment (Petrescu, 2003, p. 74). Performance is any manager's dream. Performance is equivalent to winning. In essence, managers share the passion to succeed, adhering to the logic of performance. Creating a functional organisational structure within the company may represent the starting point in getting performance. This statement is justified – theoretically and practically – in the fact that achieving the proposed objectives for a particular economic activity requires the rational concentration of all available resources and the efficient coordination of efforts made by the company. Chances of success of the company are greatly increased and, at the same time, controlled, if the company has an organisational structure adapted to the set goals, consistent with the nature and extent of the activity and adaptable to the environmental conditions.

We believe that the company's operation on efficiency criteria are based on its division on *responsibility centres* (Ciuhureanu & Popa, 2009, pp. 32-37), characterised by their own objectives and means or, otherwise said, by a decisional autonomy regarding the use of a part of the allocated resources, within the established policies. Each centre operates as an organisational unit for which it is possible and necessary to define one or more specific missions to the related objectives. It is equally essential to allocate the means that would enable reaching these objectives and delegate responsibilities. This type of organisation will therefore involve the desire to decentralise power, performances being measured mainly at the centre. Therefore, for each field or level of managerial responsibility a type of centre is created, adapted to the company's object of activity, and for each centre financial-accounting statements are prepared, controlled by the manager of that centre.

The responsibility centres can be defined as *a set of the elements dependent between them, which for an organised whole, having a high degree of autonomy in the use and optimization of available resources* (Rusu & Voicu, 2001, p. 15). If a centre has only costs or expenses, it is called *cost centre*, being considered the organisational link where products/services are obtained. Similarly, the *revenue centre* represents the organisational link where the activity is assessed according to income. If the manager is responsible both for the income and for the expenses of a department, section, etc., then there is *the profit centre*. Another category is the *investment centre*, which involves responsibilities regarding the relation between the obtained income and investments. A novelty is the *performance centres* which ensure the improvement of the entire performance management system. Basically, the aim is to ensure, through the implementation of the performance centre, an increased performance through a rational use of resources and an increased quality of products and services, productivity of work and a continuous improvement of labour conditions within the company (Petrescu, 2003, p. 75). In another vision, a performance centre is the centre that may change a result of peoples' labour into an exceptional, top one, with genuine competitive chances of success and on the market. A source of inspiration for such a structure are the performance indicators through which the organisation may come on the market and the business processes through which these indicators can be put into practice (Bogdan, 2005, p. 44).

The activity of such a centre defines the limitations within which the duties and responsibility of a manager are being exercised. We believe that the managerial accounting system will better achieve the objectives within a company where profit, management and performance centres are implemented. Each of its functions – forecast, organisation, coordination, training, control-auditing – is manifested at the level of each centre in a more efficient manner because, *it is much easier to make forecasts, set objectives, organize, coordinate, monitor* a smaller department as compared to an entire organisation. *Responsibilities will be more clearly defined, information more easily obtained*, charging the posts will be made at the level of the centre, not by the company.

In our opinion, we believe that a key advantage in the general management is measuring performances, *the accounting information being analysed both at the level of the centre and at the general level*. At the level of the centre, the manager of the centre will be responsible for the collection of data, their structure and transmission to the general financial-accounting department of the company. The financial system has several options for performance quantification (Dumitrana & Caraiani, 2004, pp. 221-222), depending on the objectives.

Table 2. Performance measurement of management, profit and performance centres

Objectives	Quantitative and qualitative criteria for measuring performance
Costs	The size of individual costs; cost deviations; price deviations; unit cost; cost rates; cost per employees; the quality of production; analysis of costs at 1.000 lei turnover on the income, based on grouping them into fixed variables, per employee; materials etc.
Incomes	Turnover, turnover analysis in relation to the production capacity and demand, on customers, sale markets, products etc., turnover deviations from forecasted numbers; commercial profitability rate, etc.
Profit	Indicators used for expense and revenue centres; profit diagnosis analysis (structural, factorial analysis, profit analysis on turnover, etc.); liquidity etc.
Investments	Indicators that quantify the effects of investments; indicators that quantify investment and operational efforts; indicators characterizing the time to make their investments and operation; indicators characterizing the economic efficiency of investments (Bogdan, 2004, pp. 60-68).

This information will be analysed separately, in accordance with the objectives set for each centre and also in general, in accordance with the objectives and strategy of the company.

Another important advantage for the management aims the *control*. Whether we are talking about the preventive financial control, the managerial control or other type of financial control, we believe that the management will be more efficient if the control is made at the centre, irregularities being more easily noticed and solved.

Moreover, a special impact of the implementation of management, profit and performance centres within the company is the *delegation of responsibility*. Therefore, accounting professionals working at the level of the centre will have better grounded knowledge regarding the activity of the centre, no longer being involved in all the activities of the centre. Responsibilities are very well known and the concerns to achieve the objectives will be more obvious.

4. CONCLUSIONS

Consequently, the current accounting system underlying the accounting activity, used by the organisations in our country, regardless of the field of activity they perform, was designed on two interrelated levels: the financial accounting and the managerial accounting, both having as support a series of methods and techniques of the market economy. The compulsoriness of the dualism may be attributed even to the fact that the organisation can no longer rely only on the information from the financial statements, bit it has to know how to organise its activities based on some informed decisions and this requires detailed knowledge. We do not exclude, however, that legislative provisions could also address a better control from the state on the company, but we still want to believe that this reason was forgotten.

Often regarded as "*the belated child of the Romanian accounting*" (Feleaga, 2002), managerial accounting provides confidential information to internal users for the future evaluation, control and management of the business. As compared to the financial accounting that can no longer lead the "international war of business" on a constantly changing Romanian market, managerial accounting has created new information channels that would solve and/or compensate the limitations of the former (Sucală, 2004, p. 820).

The problem of costs is that they are an extremely complex variable of the company's management, because of their importance in the management of each business. All managers need accurate and timely information to carry out pricing, planning, operation activities and to take other type of decisions. Managerial accounting is considered as an indispensable system in the accounting activity of the organisation for decision making. Regardless of where they are, managers administrate their field of responsibility, start actions that will lead to effects only by means of resources consumption. But, in order for the effects to be favourable to the organisation, managerial accounting demonstrates its usefulness in establishing what is profitable, in terms of costs as decisive factors for determining prices, this system being implemented through the managerial accounting, as part of the accounting activity performed within the organisation.

Given the confidentiality of the information supplied by the managerial accounting and implicitly of those related to costs, we believe that there is no impediment for the managers of the organisations to make sure they get real and accurate information. Moreover, it is recommended that the activities involved in the managerial accounting broaden their horizon by determining hidden costs. Therefore, we may say that managers should know all costs, because this reflects the entire activity of the organisation, outlining why they were obtained or not, the desired profit. Cost management represents the management and control of activities, improvement of economic processes, eliminating losses, identifying expense generators, planning development operations and strategies, the management of invested capital recovery and profit management.

Many managers consider that the organisation of managerial accounting is an obligation and not a necessity, probably not knowing that, through its organisation, they get more involved in the internal management of the company and provide useful information for the general management. Through a study made on a sample of 110 companies in Sibiu, it was aimed to capture the managers' attitude regarding the organisation of managerial accounting, the obtained information being shown in table 1.

Table 1. Attitude towards the organisation of managerial accounting				
		Frequency	Percentage	Valid percentage
Valid	110			
	obligation prescribed by law	43	39,1	39,1
	helps support the company's general management	67	60,9	60,9
	Total	110	100,0	100,0

It can be noticed that 60,9% of the managers in the sample companies consider that the organisation of managerial accounting helps, through its specific functions, support the general management of the company and 39,1% of the managers in the sample companies believe that the organisation of managerial accounting is only an obligation of the company derived from legal provisions.

The high percentage of those who are aware of the importance of managerial accounting organisation, its functions, leads us to conclude that the hypothesis formulated prior to the research (*Managerial accounting helps support the general management*) is confirmed.

For further details, we tried to know *the managers' attitude regarding the organisation of managerial accounting, depending on the company's category*. The information obtained is shown in table 2.

Table 2. Organisation of managerial accounting – grouping by company's category

Organisation of accounting	**Category**				***Total %***
	micro-enterprise	**small company**	**medium-sized company**	**large company**	
obligation prescribed by law	10	24	7	2	*43*
%	58,8%	46,2%	24,1%	16,7%	*39,1%*
helps support the general management	7	28	22	10	*67*
%	41,2%	53,8%	75,9%	83,3%	*60,9%*
Total	17	52	29	12	*110*
%	100,0%	100,0%	100,0%	100,0%	*100,0%*

The analysis of this association leads to the conclusion that, as the company's size increases, the percentage of managers who regard the organisation of managerial accounting as a contribution to support the general management also increases (microenterprises – 41,2%, small companies – 53,8%, medium-sized companies – 75,9%, large companies – 83,3%).

Also for further details, we tried *to know the attitude towards the organisation of managerial accounting depending on the company's field of activity*. The information is shown in table 3.

Table 3. Organisation of managerial accounting-grouping by field of activity

Organisation of accounting	**Field of activity**	***Total***

	trade	industry	services	%
obligation prescribed by law	28	8	7	*43*
%	62,2%	21,6%	25,0%	*39,1%*
helps support the general management	17	29	21	*67*
%	37,8%	78,4%	75,0%	*60,9%*
Total	45	37	28	*110*
%	100,0%	100,0%	100,0%	*100,0%*

It appears that most companies in trade (62,2%) consider the organisation of managerial accounting as a legal obligation, while most companies in industry and services (78,4% - industry, 75,0% - services) are aware of the importance of managerial accounting as support of the general management.

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