

THE EVOLUTION OF MANAGERIAL ACCOUNTING

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Abstract: *The technological and organizational changes that have occurred in recent years, led to the apparition and then to continuous changes in managerial accounting, requiring the reconsideration of the existing informational system, so that it will contain all the information that managers need in order to make economic decisions.*

This paper aims to present the most important events that have marked the evolution of managerial accounting from its occurrence until today, and some courses of action regarding its future development.

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1. Brief historical view on managerial accounting

Managerial accounting emerged as a result of industrial development, the complexity of the organizational structure, the variety of work undertaken, the introduction of new technologies, being a tool with which managers could better manage the production process, identify the enterprises' problems and support them in the decision making process to be taken to address the shortcomings found.

The most important studies on managerial accounting developments throughout history and the steps that led to its significant development are made by the following authors: Horngren (1982), Kaplan (1984) and Johnson and Kaplan (1987).

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Managerial accounting is defined by Henry Bouquin (2004) in his work *Comptabilité de gestion* as “an accounting information system that aims at helping managers and influence behavior by modeling the relationships between the resources for consume and the pursued objectives”.

From the historical perspective, we could divide the emergence and the evolution of managerial accounting at a global level as follows:

1. The managerial accounting concept was developed during 1820-1925.

During this period the industrial enterprises developed more and more complex manufacturing processes, diminishing the exchanges that were made with different external collaborators in favor of the exchanges between different internal structures, leading to the need for developing an intern accounting enabling managers to identify and interpret the information about the manufactured products throughout the entire production process.

In the period after 1880, the use of new discoveries in technology allowed the development of mass production and the application of the principles of work organization based on division and automation resulted in major increases in production volume, which led to the development of standard cost accounting. The managers gave up the of the cost of labor and raw materials and started to establish in advance the cost of products based on standard costs and to track operatively the deviations from standards.

2. The emergence and development of managerial control

Between 1925 and 1930 and especially after this period, the notion of managerial control was known as budgetary control. Johnson and Kaplan (1987) stated that ‘virtually all managerial accounting tools had emerged by 1925: tracking labor costs, materials and overheads, cash budget, income, investment, flexible budgets, sales forecasts, deviation analysis, internal transfer pricing and tools for assessing the performance of departments’.

The factors behind the conceptualization and the expansion of the managerial control are: the economic growth in the postwar period and the competitive pressure, which led to use the terms of minimizing costs and maximizing profits.

In the period following the 1950’s there were efforts to improve the system of costs in order to be used by the managers more and more interested in digits. The managerial accounting practiced in the large U.S.

companies underwent a transformation process, becoming costing records management.

3. Between 1980 and 1990, managerial accounting underwent a period of uncertainty, because its practices had the disadvantage of lack of promptness and foresight. Thus, the enterprises' managers did not receive in time the information about the production development process in order to make appropriate decisions and did not have a future perspective on the progress of the production process. Therefore, it was necessary to improve managerial accounting in order to satisfy the current economic environment.

The Romanian specialists began to be concerned by managerial accounting in the first half of the XXth century, when 'enterprises became bigger in size, investing huge capital ... and as soon as the competition and its means of expression on the international market increased and the only weapon of defense intensified... what the enterprises remained with was to lower the production costs ... accounting ... entering a new phase of evolution of both the system and the technical means ... with the help of budget, costing and statistics, giving large enterprises the possibility of rational management'. (Evian, 1947)

In Romania, the development of managerial accounting, taking into account the economic and political context, specific to the XXth century can be divided into two stages:

1. The first stage – the first book covering theoretical and practical aspects of industrial accounting is published – I. N. Evian, *Industrial accounting*, Bucharest, 1947.
2. The second stage – not so well defined in Romania, due to the economic and political context that would not allow anyone to obtain useful information for decision-making; the decisions were made at the central level by the state.

After 1989 managerial accounting remained in the shade, as the Accounting Law 82/1991 did not normalize this area and therefore managers thought it was not mandatory.

The conceptual framework developed by the International Federation of Accountants shows the stages of development of managerial accounting as follows:

Table no. 1

Stages of development of managerial accounting – conceptual framework developed by IFAC

I	1950	determining costs and their control, using budgeting and cost accounting techniques
II	1965	providing information necessary for planning and managerial control by providing responsible accounting information and carrying out a careful analysis of the decisions based on it
III	1985	reducing the waste of resources used in the production processes through the application of cost management techniques
IV	1995	organizational value creation through efficient use of resources, through techniques that allow the examination of the requirements for creating value for customer, shareholder, and for assessing the degree of the organizational innovation

The evolution of managerial accounting in our country did not fully covered the four phases presented by the Conceptual Framework developed by the International Federation of Accountants, so it did not act as a tool for providing the information necessary for the enterprises' management to adopt decisions and control the economic activity.

During the post-December period, the literature in Romania recorded a continuous development, which is not found in the practical organization of managerial accounting, due to its lack of normalization by legal regulations and due to the managers who were interested only in the cost calculation.

2. Ways of action regarding the future development of managerial accounting

The traditional methods that were put into practice in the late XIXth century were based on the results obtained on the full cost, being relevant and reliable for the decision-making process of that period. Today these methods may not be relevant because of the significant changes that have occurred in the economy under the pressure of global competition, which led to dramatic changes in doing business in many companies. In the current economic environment, enterprises need a cost calculation system allowing

the correct finding of the costs. Based on the shortcomings of the traditional methods, various specialists tried to identify some methods useful to the enterprises' managers in establishing the cost of products. The new systems, methods and techniques of cost calculation will focus only on the analysis of the current situations and will be aware of the future requirements regarding the objectives that are to be achieved, so as to improve the functional position held by managerial accounting within the activities of the enterprises' management.

The improvement of managerial accounting methods must rely on the analysis of the real conditions and advantages offered by the different methods and techniques, taking efficiency into account. The efficient management of the economic activity shows the need to implement some modern methods by which to obtain not only post calculation information, which does not serve too much to a dynamic management while their efficiency is inversely proportional to the length of time in which they are offered. The methods used should provide operational information and forecast the degree of using the resources and the production time that determine the level of the production cost. It must allow decision makers to assess correctly the result of their own work to take optimal decisions in order to achieve the established objectives, to correct and forecast deviations, not only recording the past facts, which leads to lower information value.

Any company should mainly focus on managerial accounting, without limiting itself only to focus on cost accounting, thinking that management is the goal while cost accounting is one of its processes and respectively its techniques and tools.

Managers will have to focus their attention on ensuring some costs that must meet the level of the requirements of the existing strategy or of the one to be implemented, so that they will have to consider these:

- ensuring proper management in order to pursue a performing activity;

cost management aims to find that level of cost which is appropriate to the managerial strategy implemented by the company's management and not just to consider the cost minimization;

- criteria such as quality, productivity, flexibility, which can have a great influence on the final results long before these results can be expected.

3. Conclusions

Managerial accounting evolved together with the enterprises' development. Thus, it was necessary to reconsider permanently the existing information system so that it will include all the information that managers need in order to make economic decisions. Maintaining the traditional managerial accounting methods due to the changes imposed by the new manufacturing technologies in the current competitive environment, is inappropriate. In conclusion, the enterprises should adopt some improved methods.

In our country the absence of the legal regulations resulted in a diversity of ways of organizing managerial accounting, many of these methods of organization lacking, partially or totally, the informational potential. Certainly, the enterprises have difficulties related to the specific aspects of organizing managerial accounting, specifically to collecting and processing the information on costs, the calculation method that can be implemented in order to calculate the cost and the specific procedures. In the absence of clear rules and regulations for the organization of managerial accounting, Romanian managers often resorted to improvisations; therefore, the development of managerial accounting in Romania did not rise to the level registered in other states of the world.

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