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MANAGERIAL ACCOUNTING INFORMATION: A KEY TO ORGANISATION SUCCESS

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ABSTRACT

This paper analyses managerial accounting information as a key to success in business. Managerial accounting is an important part of the economic information system, with a key role in decision making, whether we talk about small and medium enterprises or large companies. Managerial accounting-provided information are important, very important to decision making, helping in taking decisions that lead to lower costs and implicitly to higher profit. Managerial accounting information is useful in making some management decisions; its primary emphasis is on internal decision making. Findings indicate that managerial accounting has major impact on decision making, as establishing it will aid provision of relevant and reliable information. The study also shows that managerial accounting can improve accounting department efficiency and produce result effortlessly, timely and accurately.

KEYWORDS: *Economic information system, Managerial Accounting, Decisions*

1.INTRODUCTION

Managerial accounting information exists to serve the needs of management. Hence, it is subject to a cost-benefit analysis and should be developed only if the perceived benefits exceed the costs of development and use. Managers are constantly faced with the need to understand and control costs, make important product decisions, coordinate resources, and guide and motivate employees. Managerial accounting provides an information framework to organize, evaluate, and report proprietary data in light of an organization's goals. This information is directed to managers and other employees within the organization. Managerial accounting reports can be

designed to meet the information needs of internal decision makers. Top management may need only summary information prepared once a month for each business unit. An economic activity can be conducted correctly if the decision, the implementation and the control of the execution are based on operative, accurate and complete information. In this context, on the one hand, we need an accounting management in order to provide the necessary information, but also an accounting the serves the needs of the manager. (Iacob and Karim, 2013). The major task of management accounting is to provide information to the management, enabling control over the activities, thus assisting in the decision making. Managers are constantly faced with the need to understand and control costs, make important product decisions, coordinate resources, and guide and motivate employees.

Managerial accounting provides an information framework to organize, evaluate, and report proprietary data in light of an organization's goals. This information is directed to managers and other employees within the organization. Managerial accounting reports can be designed to meet the information needs of internal decision makers. (Diaconu, 2002) In managerial accounting, managers use the provisions of accounting information in order to better inform themselves before they decide matters within their organizations, which aids their management and performance of control functions. An engineer responsible for hourly production scheduling may need continuously updated and detailed information concerning the cost of alternative ways of producing a product. Based on the accounting information function, which is to provide information in order to substantiate decisions, and considering the two components of accounting (financial and managerial accounting), we can assert that accounting has an internal information function (for the enterprise management) and an external one (for the third parties). Internal decision-making and analysis of cause and effect relationships can require very specific models and accounting information. Because managers should obtain high-quality and suitable information from formal and informal channels for decision-making and because financial accounting information is regarded as not being adequate, the managerial accounting provided information underlie the decision making both inside and outside the enterprise (Eierle and Wolfgang, 2013).

While accountants are available to assist in obtaining and evaluating relevant information, individual managers are responsible for requesting information, analyzing it, and making the final decisions Managerial accounting information exists to serve the needs of management. Hence, it is subject to a cost-benefit analysis and should be developed only if the perceived benefits exceed the costs of development and use. Also, while financial measures are often used in managerial accounting, they are not used to the exclusion of other measures. Money is simply a convenient way of expressing events in a form suitable to summary analysis. When this is not possible or appropriate, nonfinancial measures are used. Even though there is no existing regulation of managerial accounting systems, financial accounting standards invariably have some impact on managerial accounting. For example, in accounting for inventory costs, many companies use the same cost systems for both financial and managerial accounting purposes. However, managers still need to be aware of major changes in financial accounting standards, because these standards affect how the results of their internal managerial decisions are reported to shareholders and other external constituencies. Financial reporting of managerial decisions affects earnings and earnings per share, and often affects stock valuation.

A major purpose of managerial accounting is to support the achievement of goals. Hence, determining an organization's strategic position goal has implications for the operation of an organization's managerial accounting system. Careful budgeting and cost control with frequent and detailed performance reports are critical with a goal of cost leadership. When the product is difficult to distinguish from that of competitors, price is the primary basis of competition. Under these circumstances, everyone in the organization should continuously apply managerial accounting concepts to achieve and maintain cost leadership. In fact, management accounting, oriented especially towards providing information to managers, being considered „an informational tool necessary to themanagement for taking decisions, to maximize profitability" (Dumitru & Calu, 2008) is folded up the three key functions of management.

The managerial accounting system should constantly compare actual costs with budgeted costs and signal the existence of significant differences. The process of selecting goals and strategies to achieve these goals is often referred to as planning. The implementation of plans requires the development of sub goals and the assignment of responsibility to achieve sub goals to specific individuals or groups within an organization. This process of making the organization into a well-ordered whole is called organizing. In organizing, the authority to take action to

implement plans is delegated to other managers and employees. Top management delegates authority to use resources for limited purposes to subordinate managers who, in turn, delegate to their subordinates more limited authority for accomplishing more structured tasks. Responsibility flows up through the organization. People at the bottom are responsible for specific tasks, but the chairman is responsible for the operation of the entire organization. A distinction is often made between line and staff departments. *Line departments* engage in activities that create and distribute goods and services to customers. *Staff departments* exist to facilitate the activities of line departments of staff organizations. A change in plans can necessitate a change in the organization. For example, Crown's plan to discontinue the sale of hardware and add an art department during the coming year will necessitate an organizational change. Controlling is the process of ensuring that results agree with plans. A brief example of a performance report for costs was presented previously. In the process of controlling operations, actual performance is compared with plans. With a cost leadership strategy and long-lived products, if actual results deviate significantly from plans, an attempt is made to bring operations into line with plans, or the plans are adjusted. The original plan is adjusted if it is deemed no longer appropriate because of changed circumstances. With a differentiation strategy and short-lived products, design and scheduling personnel will consider previous errors in predicting costs as they plan new products and services. Hence, the process of controlling feeds forward into the process of planning to form a continuous cycle coordinated through the management accounting system.

Managers direct the future and constantly report it to the present and managerial accounting provides information about the future and about what is going to happen. The need for information is „caused" usually by the decisions that must be taken (Diaconu, 2006). Managerial accounting is a system of accounting information that intends to help managers and influences behaviours by shaping the relations between the consumed allotted resources and the aimed finality. C lin (2002) considers that managerial accounting „has as main objective the reflection upon all the operations of cost collection and allocation by destinations, i.e. products, works, services, orders, manufacture phases, activities, departments, etc, the settlement of the obtained production, as well as the calculation of the production cost for the manufactured products, the executed works and the provided services, including the production-in-progress. In a general sense, managerial accounting is an integral part of management that deals with identifying, presenting and interpreting information used for strategies, decision making, resource optimization, employee information, asset protection planning and control of activities, information of associates or other external information users. (Briciu, & C pu neanu, 2011) In order to prove that the managerial accounting belongs to the accounting information system, they analysed the participation of this accounting to the functioning of the accounting system. Thus, managerial accounting provides a detailed overview of each activity, whence the denomination of analytic accounting (Budugan et al., 2007), following the collection and distribution of expenses on activities, as well as the calculation of costs from the production, trade, service providing and financial units and from other fields of activity, thus providing data necessary for the users of the accounting information.

Accounting is an information system and managers should obtain high-quality and suitable information from formal and informal channels for decision-making. At the beginning managerial accounting was reconsidered, we witnessed a separation of the two components of the accounting system (financial and managerial accounting). Assuming that each entity has the right to create its own information system (own communication channels, responsible persons, etc), then we can characterize the information system of the management accounting as being the „sum of procedures, means and regulations that are used for the collection, processing, transmission, use and storage of the accounting information without being disclosed to the public without disclosure". Accounting is an information system and managers should obtain high-quality and suitable information from formal and informal channels for decision-making (Zare et al.,2013)

2.Managerial Accounting Decision Models

Managerial accounting includes a variety of models that help managers determine the cost of a particular activity or product, or the benefits and costs of various decision alternatives. Although such models in their current state of development may not take into account all external social costs, accountants are more aware today than in the past of the need to consider such costs. Managerial accounting consists of a set of tools that have been proven to be useful in making decisions involving revenue and cost data. Even though many of the techniques appear to be simplistic in nature, they have proven to be of considerable value. The techniques which are all based on mathematical equations or mathematical

relationships. All of the techniques may be regarded as mathematical decision making models. For example, the foundation of C-V-P analysis is the equation: *I = P(Q) V(Q) - F.* The approach described above concerning the use of financial statements as a check list to identify decision making areas may also be used to identify the appropriate managerial accounting technique. For every item on financial statements, there is one or more appropriate managerial accounting technique. As the above discussion should make clear, decision making is a complex network of interrelated decision variables. Management can face an overwhelming task if it tries to identify every variable and minute decision relationship. One approach to dealing with complexity is the development of models, both mathematical and descriptive for the purpose of simulating only the relevant or more important variables. Managerial accounting is, therefore, one approach to simplifying complex relationships by dealing with key variables and models based on restricting assumptions. Nagy (2010)

Managerial Accounting Decision-Making Model (Statement of Financial Position)

	Strategic Decisions	Tactical Decisions	Managerial Accounting Tool	Required Information
Assets				
Cash	Risk	Minimum balance Amount needed	Cash budget	Cash inflows Cash outflows
Accounts receivable	Credit	Credit Terms	Incremental analysis	Additional sales Additional expenses
Inventory Materials Finished Goods	Risk Quality Risk	Order size, no. of orders Supplier Safety stock	EOQ model Safety models	Purchasing cost Carrying cost Demand Probability distributions
Fixed Assets	Capacity Purchase/ lease	Depreciation methods Rate of return	Capital Budgeting	Cash inflows/outflows Present value tables
Investments	Risk/ diversification	Number of shares	Capital Budgeting	Potential dividends / earnings
Liabilities				
Accounts payable	Leverage	Amount to pay/ not pay	Cost Analysis	Interest rate Terms of credit
Notes Payable	Leverage Short-term vs. long-term	Amount borrow/ repay Interest rate/ lender	ROI analysis Incremental analysis	Interest rate Cost of capital
Bonds Payable	Leverage Short-term versus long-term	Shares to issue Shares to retire	ROI analysis Incremental analysis Cost of capital analysis	Interest rate Cost of capital ROI data
Stockholders' Equity				
Common stock	Leverage / risk	Shares to issue Amount needed	ROI analysis Incremental analysis Cost of capital analysis	Cost of capital Cost of issuing ROI data
Retained earnings	Internal financing Risk	Amount of dividend Type of dividend	Incremental analysis Cost of capital analysis	ROI data Cost of capital

Statement of Income Model

	Strategic Decisions	Tactical Decisions	Management Accounting Tool	Required Information
Sales	Market share Grow	Price Number of territories Credit Additional volume	Incremental analysis C-V-P analysis Cost behavior	Demand curve Fixed & variable costs
Cost of goods sold Beginning inventory Cost of goods mfd. Ending inventory	Risk	Amount of safety stock	EOQ model Safety stock model	Probability of stock out Purchasing costs Carrying costs
Gross profit				
Expenses				
Selling Sales people salaries Commissions Sales people training Travel Advertising Packaging Bad debts Sales office rentals Office operating Home office	Motivation/turnover Motivation/turnover Risk/volume Risk	Salary Number of sales people Commission rate Number of new people Amount of advertising Bad debt estimate	Incremental analysis C-V-P analysis	Price of product Calls per month Fixed and variable costs Sales forecast Market potential Bad debt probability
General and Admin. Executive salaries Secretaries Supplies Depreciation Travel	Effective service Turnover	Amounts of salaries	C-V-P analysis	Fixed and variable costs
Net income				

3 MANAGERIAL ACCOUNTING AND DECISION-MAKING

In financial accounting, models of financial statements are used as a framework for teaching the fundamentals of basic financial accounting. The model, *A = L + C*, is very effective in conveying an understanding of accounting. A description of the managerial accounting perspective of management and the business enterprise will help put in focus the subject matter. The organizational aspect of the business firm is illustrated showing that there are different levels of management. A commonly used approach is to classify management into three levels: Top management, middle management, and lower level management. The significance of a hierarchy of management is that decision making occurs at three levels (Cardo & Pete, 2011). The framework of managerial accounting is based on a number of implied Assumptions. Although no single work has attempted to identify all of the assumptions the major assumptions are detailed as following:

Basic Goal Assumptions - The basic goals or objectives the business enterprise may be multiple. For example, the goal may be to maximize net income. Other goals could be to maximize sales, ROI, or earnings per share. Managerial accounting does not require a specific of type of goal. However, whatever form the goal takes, management will at all times try to achieve a satisfactory level of profit. A less than satisfactory level of profit may portend a change in management.

Role of Management Assumptions - The success of the business depends primarily upon the skill and abilities of management–which skills can vary widely

among different managers. The business is not completely at the mercy of market forces. Management can through its actions (decisions) influence and control events within limits. In order to achieve desired results, management makes use of specific planning and control concepts and techniques. Planning and control techniques which management may use include business budgeting, cost volume profit analysis, incremental analysis, flexible budgeting, segmental contribution reporting, inventory models, and capital budgeting models. Management, in order to improve decision making and operating results, will evaluate performance through the use of flexible budgets and variance analysis.

Decision making Assumptions A critical managerial function is decision making. Decisions which management must make may be classified as marketing, production, and financial. Decisions may also be classified as strategic and tactical and long run and short run. A primary objective of decision making is to achieve optimum utilization of the business's capital or resources. Effective decision making requires relevant information and special analysis of data.

Accounting Department Assumptions The accounting department is a primary source of information necessary in making decisions. The accounting department is expected to provide information to all levels of management. Management will consider the accounting department capable of providing data useful in making marketing, production, and financial decisions.

Nature of Accounting Information - In order for the accounting department to make meaningful analysis of data, it is necessary to distinguish between fixed and variable costs and other types of costs that are not important in the recording of business transactions. Some but not all of the information needed by management can be provided from financial statements and historical accounting records. In addition to historical data, management will expect the management accountant to provide other types of data, such as estimates, forecasts, future data, and standards. Each specific, managerial technique requires an identifiable type of information. The accounting department will be expected to provide the information required by a specific tool. In order for the accounting department to make many types of analysis, a separation of costs into fixed and variable will be required. The management accountant need not provide information beyond the relevant range of activity. The assumption that there are three types of decisions,(marketing, production, and financial) requires that management identify the specific decisions under each category. The identification of specific decisions is critical because only then can the appropriate managerial accounting technique be properly used. An understanding of financial statements is critical to the ability of management to make good decisions. Financial statements, although prepared by accountants, are actually created by management through the implementation of decisions. The historical data from which accountants prepare financial statements result from actual management decisions. The reader and user of financial statements is not primarily the accountant but management. From a managerial accounting point of view, it is management rather than accountants that needs to have the greater understanding of financial statements. The income statement and the balance sheet can be viewed as a descriptive model for decision making. Financial statements reflect success or lack of success in making decisions. Management can be deemed successful when the desired income has been attained and financial position is considered sound. To achieve managerial success management must manage successfully the assets, liabilities, capital, revenue and expenses. Financial statements, then, serve as a ready and convenient check list of decision making areas (Briciu & Teiuan, 2006).

The basic Statement of Financial position equation, of course, is $A = L + C$. A managerial accounting interpretation is that the assets or resources come from the creditors (liabilities) and the owners (capital). It is management responsibilities to manage both sides of the equation. That is, management must make decisions about both the resources (assets) and the sources of the assets (liabilities and capital). Each item on the Statement of Financial position is an area of management. Stated differently each item on financial statements represents a critical area sensitive to mismanagement.

4 Decision-making in Managerial Accounting

In managerial accounting, decision making may be simply defined as choosing a course of action from among alternatives. If there are no alternatives, then no decision is required. A basis assumption is that the best decision is the one that involves the most revenue or the least amount of cost. The task of management with the help of the management accountant is to find the best alternative. The process of making decisions is generally considered to involve the following steps: Identify the various alternatives for a given type of decision; Obtain the necessary data necessary to evaluate the various alternatives; Analyze and determine the consequences of each alternative; Select the alternative that appears to

best achieve the desired goals or objectives; Implement the chosen alternative and at an appropriate time, evaluate the results of the decisions against standards or other desired results. From the descriptive model of the basic features and assumptions of the managerial accounting perspective of business, it is easy to recognize that decision making is the focal point of managerial accounting. The concept of decision making is a complex subject with a vast amount of management literature behind it. In managerial accounting, it is useful to classify decisions as:

Strategic and Tactical Decisions

In managerial accounting, the objective is not necessarily to make the best decision but to make a good decision. Because of complex interacting relationships, it is very difficult, even if possible, to determine the best decision. Management decision making is highly subjective. Whether a decision is good or acceptable depends on the goals and objectives of management. Consequently, a prerequisite to decision making is that management have set the organization's goals and objectives. For example, management must decide strategic objectives such as the company's product line, pricing strategy, quality of product, willingness to assume risk, and profit objective. In setting goals and objectives, it is useful to distinguish between strategic and tactical decisions. Strategic decisions are broad based, qualitative type of decisions which include or reflect goals and objectives. Strategic decisions are non-quantitative in nature. Strategic decisions are based on the subjective thinking of management concerning goals and objectives. Tactical decisions are quantitative executable decisions which result directly from the strategic decisions. The distinction between strategic and tactical is important in managerial accounting because the techniques of managerial accounting pertain primarily to tactical decisions. Managerial accounting does not typically provide techniques for assisting in making strategic decisions. Once a strategic decision has been made, then a specific management tool can be used to aid in making the tactical decision. For example, if the strategic decision has been made to avoid stock outs, then a safety stock model may be used to determine the desired level of inventory.

Short run Versus Long-run Decision making

The decision making process is complicated somewhat by the fact that the horizon for making decisions may be for the short run or long run. The choice between the short run or the long run is particularly critical concerning the setting of profitability objectives. A fact of the real business world is that not all companies pursue the same measures of success. Profitability objectives which management might choose to maximize include: Net income; Sales; Return on total assets; Return on total equity; Earnings per share.

The decision making process is, consequently, affected by the profitability objective and the choice of the long-run versus the short-run. If the objective is to maximize sales, then the method of financing a new plant is not immediately important. However, if the objective is to maximize short run net income, then management might decide to issue stock rather than bonds to avoid interest expense. In the short run, profits might suffer from expenditures for preventive maintenance or research and development. In the long run, the company's profit might be greater because of preventive maintenance or research and development. Although the interests of management and the organization may be presumed to coincide, the possibility of making decisions for the short run may cause a conflict in interests. An individual manager planning to make a career or job change might have a tendency to make decisions that maximize profitability in the short run. The motivation for pursuing short run profits may be to create a favorable resume. The tools in management accounting such as C-V-P analysis, variance analysis, budgeting, and incremental analysis are not designed to deal with long range objectives and decision. Consequently, the results obtained from using managerial accounting tools should be interpreted as benefits for the short run, and not necessarily the long-run. Hopefully, decisions which clearly benefit the short run will also benefit the long run. Nevertheless, it is important for the management accountant, as well as management, to beware of possible conflicts between short run and long run planning and decision making.

5 CONCLUSION

Managerial accounting-provided information are important, very important to decision making, helping in taking decisions that lead to lower costs and implicitly to higher profit. Besides, all these information cannot be gathered from elsewhere, but from the implementation of managerial accounting in the economic entities Breuer,Frumu anu & Manciu (2013). The information obtained after processing the managerial accounting-provided data helped the entities management to reduce the labour costs, to improve the instruments operation time, to improve the process of raw material supply, to reduce the work costs and to determine the auxiliary activities costs. As a conclusion, we can affirm that, through the detailed analysis performed on the activity, on the

internal flow, in terms of value and quantity, related to the expense distribution and the cost development, managerial accounting is an important component of the accounting information system, with a significant contribution in the management process of an economic entity. Managerial accounting should not be regarded as useful only to the managers, because the management process does not involve only the management. From a managerial accounting point of view the primary purpose of management is to make decisions that may be classified as marketing, production, and financial. The tactical decisions which must be preceded by strategic decisions provide the historical data from which the accountant prepares financial statements. In addition to being statements summarizing historical transactions, financial statements may be regarded as a descriptive model for decision making. Every item or element on the financial statements is the result of a decision or decisions. For each decision, there exists a managerial accounting tool that may be used to make a good decision. However, the managerial accounting tools can be used only if the management accountant is successful in providing the information demanded by the particular tool.

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