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Conceptual Foundations Of Managerial Accounting

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Abstract: Managerial accounting has the role of identifying, measuring, analyzing, and interpreting useful information for management teams. Through information, managers can much more easily plan, evaluate and control business entities. Of course, all this is necessary to protect employees, to monitor the resources spent and to have a clear picture of the whole organization.

Namely, managerial accounting as a subsystem of the overall accounting is constantly evolving and improving. Because it is required by the dynamics of operation and development of business and industrial facilities in national economies. The direction of managerial accounting strives to enable business processes and create opportunities for greater utilization of capacities and resources.

Managerial accounting compiles reports that contain information on the current activities of the company, strategic tasks and operations, as well as information on the optimality in the use of resources and the evaluation of operations.

In fact, the role and significance of managerial accounting can be observed through its function in the management process, i.e. the manner and verification of the usefulness of the managerial accounting process. Also, the insight is done through the criteria, i.e. the criteria for estimating the values used, as well as through the ability to link the achieved goals with the function of managerial accounting.

All activities of managerial accounting are performed by forming teams. These teams are composed of professionals who possess knowledge and have certain skills. And their goal is to achieve the set goals and create greater opportunities for the future of their company.

Keywords: resources, activities, concept, information, function.

INTRODUCTION

Business entity management is a process that requires continuous monitoring of the overall activities of business entities.

All this makes the tasks complex, which for managers causes the need for constant improvement, training, and creation of skills for easier and better achievement of goals to be achieved.

Accounting i.a. managerial accounting should identify elements that managers may or may not influence.

“Accounting provides information for three major purposes,

- ***Routine internal reporting for the decision of managers.***

Such informations is provided for decisions that occur with some regularity.

- ***Nonroutine internal reporting for the decision of managers.***

This information affects decisions that occur irregularity or without precedent.

- ***External reporting to investors, goverment authorities, and other outside parties on the organizations financial position, operations, and releted activities.***

Management accounting measures and reports financial and nonfinancial information that helps managers make decisions to fulfill the goals of an organization.

Management accounting focuses on internal reporting”¹.

It assesses the risks and analyzes the factors that may occur in the company. The basic tool in managerial accounting is information.

Therefore, the information needs to be clear and understandable, but also timely and reliable. Due to the future orientation of managerial accounting, all information should fully meet the criteria for their applicability.

Managerial accounting is a very important part of the overall accounting of the company. Just like financial accounting, it is based on operating accounting and other analytical sources of information. All collection, classification, and analysis of financial data are done for the needs of management. Managers should make a variety of individual decisions regarding work activities.

Therefore, managerial accounting prepares financial statements that help to:

- better system control over the operation and use of the business entity resources,
- planning and controlling the achieved results,
- setting up control mechanisms for elimination of certain shortcomings, etc.

The role of managerial accounting is to present the data available for the information support needs of managers in the performance of their management activities.

All management activities, as well as the activities related to the information support by the management accounting, have the ultimate goal to improve the indicators in the balance sheet, the income statement, as well as the cash flow statement of the business entities.

1.THE INFORMATION ROLE OF MANAGEMENT ACCOUNTING

Any business entity without solid information is helpless in functioning. All organizations have communication channels through which they are exchanged.

That is, it can be emphasized here that certain instructions are constantly coming from a higher level to a lower one, and then to receive feedback on the received instructions.

Accounting information is mostly financial information that is available to the managers of business entities.

Managerial accounting should control current activities, but also plan and lay the groundwork for future operations. In addition to these activities, it is necessary to measure and evaluate the performed tasks.

It generates a great deal of information that is needed by groups of users of financial statements.

Hence, the information can be presented as innumerable information about the business entity, which can be descriptive and qualitative. There may be cases in the work where a piece of descriptive information can determine a certain situation. It can also be said about the qualitative information that can specify what to choose, ie decide. But when it comes to numerical information, then it is determined exactly which phenomenon is better, how many participants there were, what was the success (it will not be described only with the phrase-sentence, it is great, but you will know exactly what the amount is in the given period).

Furthermore, this information refers to what is the sale, what is the percentage of certain costs and so on.

¹ Horngren, Foster, Datar, (2000), Cost Accounting, tenth edition, pp.2,3.

Non-accounting information (market, production, technical-technological) are also very important information bases that provide an easier way to manage management.

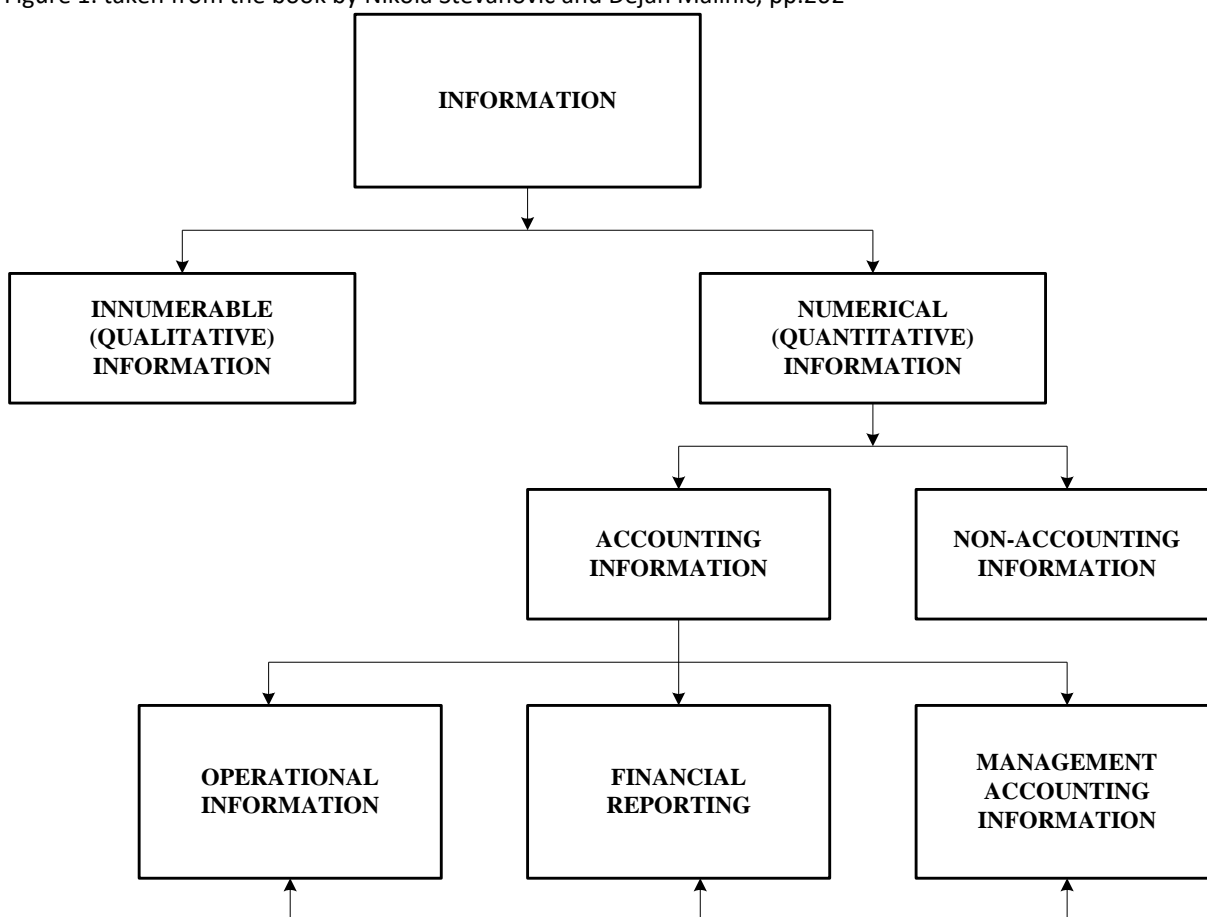
But of course, the main source of information is accounting information.

Because the accounting information system is a complete system that represents all numerical data and information about the work of business entities. Due to the complexity of the enterprises, SIS constantly receives various information about costs, performance, income and expenses, assets, cash inflows and outflows, the state of the business entity, etc. All this is in the interest of realizing the goals and planning the future achievements.

Accounting information includes,

- operational accounting information (source of this information is analytical bookkeeping),
- accounting-financial reporting (source of this reporting is financial accounting),
- managerial accounting reporting (source of this reporting is managerial accounting).

Figure 1. taken from the book by Nikola Stevanovic and Dejan Malinic, pp.262



2.CONCEPTS OF MANAGEMENT ACCOUNTING

Namely, we see the usefulness of managerial accounting through:

- the function of managerial accounting in management,

² Stevanovic, Nikola PhD, Malinic, Dejan PhD, (2003) Managerial Accounting, Faculty of Economics - Belgrade

- verification of the usefulness of the results of the management accounting,
- the criteria used to assess the values in managerial accounting, and
- the benefits associated with and received from the function of managerial accounting.

2.1.Functional concept

Efficient use of resources is one of the conditions that management needs to implement.

Their transformation needs to be assessed continuously through the ratio of values that are created in the market of products and services.

Inefficiency, on the other hand, is perceived through losses, irrational spending, as well as through negative financial results.

Namely, managerial accounting needs to create an opportunity for a higher percentage of realization of the plans.

All this implies the creation of teams for the different phases of operationalization of the activities.

This means it needs to coordinate and organize all processes, but also make connections between operating systems.

2.2.Concept of the usefulness of results

Usually, each execution process creates a certain utility, but also a certain value.

That is, business entities have or do not benefit from a particular activity.

Here, it can be emphasized that the responsibility of managerial accounting is directed to the users of products and services.

2.3.Concept of criteria used to assess values in managerial accounting

All business processes interact.

In this overall functioning, managerial accounting is focused on considerations related to the use of resources and the creation of value in a given period.

In fact, resource utilization needs to be measured through opportunity costs, while value creation is perceived through consumers.

It is also necessary to assess the technological possibilities that go beyond the ordinary compensation of the resources used.

2.4.Concept of benefits associated with and received from the management accounting function

The function of managerial accounting is to organize the work of the organization as best it can.

That means getting effective results.

Adherence to legal regulations, as well as professionalism in the engaged working groups, is the basis for successful work.

Of course, the function of managerial accounting is constant evaluation, which means improvement in the execution of the planned plans.

Also, the constant finding of opportunities to create benefits that will be a qualitative effect on the further functioning of the business entity.

3.CALCULATION OF COSTS AND PERFORMANCE - A KEY PART OF MANAGEMENT ACCOUNTING

The propulsion calculation of the enterprise, above all, covers the internal state of operation.

The calculation of costs and performance is to know what and where it is spent.

All this is calculated and expressed in money.

But also the number of transformed costs, as well as the number of finished products produced.

Hence the content of the propulsion calculation that performs,

- calculation of costs by types (how much and what is spent in the enterprise),
- calculation of costs by places of consumption (where costs are incurred),
- calculation of cost bearers (periodic report on cost bearers),
- short-term analytical calculation of success (how much is the income and expenses, individually and collectively).

All management accounting reports are intended to,

- providing data on the cost price of performance for the needs of balancing (inventories, foreign production, finished products, etc.),
- providing data, information on the formation of sales prices of products and services,
- providing data, for easier decision making, pointing out problems in the company, analyzing alternatives,
- providing data for the needs of planning and control of costs and performance about the parts of the enterprise, according to the production programs.

Operational accounting, or plant accounting, monitors and analyzes all sectors and individual activities that are very important in the planned values of enterprises.

CONCLUSION

Accounting management is one of the essential activities in the modern business world. It is a process of creating conditions for efficient operation and a source of information for managers.

Today it is inevitable to have information.

Here we will emphasize that management is in constant contact with management accounting.

Management accounting performs three groups of activities,

- reports on the success, changes, and financial condition of the business entity,
- performs planning, controlling, motivating, etc.,
- makes individual business decisions.

All these activities are to increase the capital of the company, ie to achieve added value for the owners of shares, shares of business partners, and the like.

Whenever the management receives the correct, accurate, and timely information, it is ready to make correct and rational decisions.

Therefore the need for various information related to revenue, expenditure, cost, costs, and the like. are of great importance for the overall management.

Management accounting, as a subsystem of the accounting information system, generates information related to operating accounting information, accounting, and financial information, as well as managerial

accounting information. Management is focused on the use of information obtained from financial accounting.

However, the information not contained in the financial statements is provided by other accounting subsystems. Based on management accounting information, management should be prepared to plan, organize, manage, and make decisions. All of these functions require information that is functional and can predict the future of enterprises.

That is, management accounting processes the data about what happened in the past with the business entity to the extent and in a way that allows the information to be used to anticipate the future.

The importance and usefulness of managerial accounting are perceived through the four concepts.

The concept is based on the function, the concept based on the usefulness of the results, the concept based on the criteria used to assess the values in managerial accounting, as well as the concept based on the benefits associated with and obtained from the function of managerial accounting.

This means that the function of managerial accounting should be an activity in terms of seeking and finding opportunities to create sound values for the business entity.

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