

Aspects of the Normalization of Managerial Accounting in Romania on a Microeconomic Level

Sorin BRICIU

“1 Decembrie 1918” University of Alba-Iulia
briciusorin@gmail.com

Sorinel CĂPUȘNEANU

“Artifex” University of Bucharest
sorinelcapusneanu@gmail.com

Abstract. *The article presents the general frame of the normalization of managerial accounting on a national level, following an incursion in its international normalization. The objectives of the normalization of managerial accounting in Romania are presented into detail, from the authors' point of view, as well as the profile and attributions of the managerial accountant as a normalizer. The article ends with the authors' conclusions related to the normalization of managerial accounting in Romania on a microeconomic level.*

Keywords: managerial accounting; normalization; principles; accounts plan; methods.

JEL Codes: M21, M41.

REL Code: 14B, 14I.

1. The general frame of international and national normalization

The international normalization of managerial accounting is done through the activity of the Committee of the Professional Business Accountants⁽¹⁾, a component of the International Federation of Expert Accountants⁽²⁾, which elaborated a series of norms related to the basic concepts of managerial accounting, aiming at the harmonization of its specific terminologies.

In Romania, the normalization of managerial accounting on a national level is regulated by OMF no. 1826/2003, where some levels concerning the organization and realization of managerial accounting by the juridical persons are approved, these being ensured by the Ministry of Finance. The stipulations of this law confer the general frame of harmonization of international normalization of some concepts of managerial accounting with the national normalization of managerial accounting in Romania, leaving it to the managerial accountant to fulfill it.

The norming of managerial accounting on a microeconomic level represents the process of elaboration and enforcing the norms, regulations and procedures specific to the organization and realization of managerial accounting. The normalization of managerial accounting on a microeconomic level is done by the harmonization of the internal methodology of managerial accounting, accepted by all its organizational subdivisions.

In a general acception, *managerial accounting* represents that integrated part of management that deals with the identification, presentation and interpretation of the information used to formulate strategies, take decisions, optimize the use of resources, inform the employees, protect the actives, plan and control the activities, inform the associates or other external users of information. In other words, *managerial accounting*, comprises as well *specific elements of financial (general) accounting*, as specific elements of *managerial accounting*.

Today we witness a repositioning of accounting in the ensemble of the social sciences, and in the area of the managerial sciences due to its practical role as it has become an instrument for business management, a tool of management.

Of course, the issue of bringing accounting together with the managerial sciences can be approached also through the prism of managerial accounting, which must contain *specific elements of financial accounting (general)*, and especially from the second branch of accounting, *administrative accounting*. A special place within managerial accounting must be occupied by the *administrative control*, which is responsible with the well functioning of the informational system needed in order to make decisions within an entity. Here

we must also include the internal audit, which helps the entity to reach its objectives, realizing systematic evaluations and improving the risk management, the control and administration of processes.

For instance, *managerial accounting* must supply the manager with those elements which are strictly necessary in order to make him understand the phenomena and processes that take place within the entity, to offer him the operative information on the basis of which he may be able to take pertinent decisions, to be able to foresee the repercussions of the decisions taken and in the same time to have the necessary tools to effectuate a permanent and efficient control.

The manager (an engineer, medic, architect, economist etc.) must in the same time have the necessary knowledge in order to be able to interpret the data supplied by the managerial accounting in order to help him in his managing activity. The rest of the information which is strictly specialized remains in the area of the professional accountant who operates and interprets them. He presents the manager with the consequences of the decisions taken and/or that are to be taken but also with the solutions proposed for a more efficient activity. The professional accountant must have not only new attributions and abilities, but also new responsibilities, he must not be expectative when it comes to taking decisions but on the contrary to intervene in order to critic what has been done, to be an integrant part of the collective action.

Most of the information that lay at the basis of a decision to invest within the entity are supplied by the accounting. Investors are interested by the financial position and performance of the entity (balance sheet, profit and loss account, situation of modifications of own capital, situation of the treasury fluxes, explanatory notes to annual financial situations).

Concerning *financial accounting*, the elements that a manager must know refer firstly to the *financial situations*. Due to the increase of the social role of accounting information, their production and distribution are undergoing a process of normalization.

The aim of accounting normalization is to create an even better *financial communication among the actors of a global financial market*⁽³⁾. It is estimated that accounting normalization will not reach its goal but in a context where the economic performance of entities, measured especially by the financial performance, is judged pertinently by the stock investors and useful for the financial analysts in establishing their forecasting.

The Committee for International Accounting Standards (IASB) tends to become the recognized authority on a global level as a single normalizer, a body that produces accounting norms that serve to uniform accounting practices for the same situation.

2. The normalization of managerial accounting in Romania

In our opinion, the norming and normalization of managerial accounting on a microeconomic level (Figure 1) should present some objectives like:

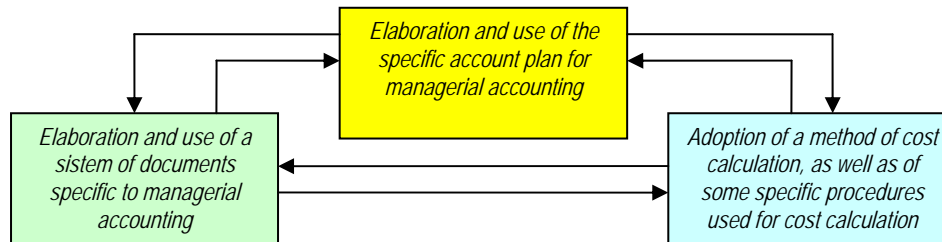


Figure 1. *The norming and normalization of managerial accounting on a microeconomic level*

1) *Elaboration and use of the account plan specific to managerial accounting.* For the organization of accounting in the Romanian practice we use the general account plan contained by the accounting regulations harmonized with the 4th Directive of the EEC, set by the Ministry of Public Finances and approved by OMFP no. 1752/2005. The duality of the Romanian accounting system means that accounting has to be organized in a double circuit: *financial accounting and managerial accounting*. The general account plan is formed of 9 account classes (8 destined to financial accounting and one destined to managerial accounting). The 9th class “managerial accounts” is used to organize and run managerial accounting, containing 10 synthetic accounts of the first degree, divided into three groups of accounts: *internal expense accounts, calculations accounts and production costs*. OMFP no. 1826/2003 mentions three distinct ways to organize managerial accounting:

- Using specific accounts (class 9 “managerial accounts”). The use of these accounts is not compulsory but optional;
- Developing accounts from the financial accounting;
- With the help of the own technical and operative accounts, without explaining the way of concretizing in the accounting practice of each of them.

Most specialists from the area of managerial accounting agree to the idea according to which in order to reach the objectives of managerial accounting one has to use an own account plan. At the basis of choosing and maintaining the system of accounts specific to managerial accounting there are a series of arguments that relate to the Romanian tradition concerning the use of the dualist system, in the time of the planned economy as well as after adapting the general

accounts plan to the French model, starting with 1994. This tradition was continued in two directions:

- *Of using accounts based on the double registration.* Most accountants used to work with an accounting system based on an account plan continued to use it due to the multiple advantages it offers and which have been mentioned previously.
- *Of using informatics programs based on the double registration.* In order to ease the work of accountants, computer scientists created software programs based on accounting registrations and not on mathematical calculation sheets like in the case of the tabular expense accounting. These computer programs have been user friendly, especially due to the huge quantity of data that can be processed with the help of computers.

The account plan specific to managerial accounting represents the *foundation* in building an accounts plan which is flexible and adaptable to every type of activity developed by the entities according to their specific. The way of constructing the managerial accounts foreseen in the general accounting plan in Romania stresses the absence of a large number of accounts groups with defined accounting roles and functions. The present accounts system offers not only the image of a total costs calculation in order to determine the product costs, but rather an expense collection on a global level.

The analytical accounts contained by the General Accounts Plan are limited under the aspect of their informational content, and that is why the Ministry of Public Finances underlines that they are not compulsory. The regulation of enforcing the accounting law in Romania stipulates the possibility that – according to the necessities of each firm and to its purpose – it is possible to introduce other accounts or to deepen on an analytical plan the necessary accounts requested by their beneficiaries. The economic content and the accounting correspondences between the accounts of the 9th class “Managerial accounts” standardized by the Romanian accounting norms satisfy only the necessities of the methods of organization of costs calculation of the total type and not so much the partial ones.

A form of presentation and use of the accounts plan specific to managerial accounting is underlined by professors Klaus Ebbeken, Ladislau Possler and Mihai Ristea in their work *The Calculation and Management of Costs*⁽⁴⁾. It considers also the calculation of the analytical result which constitutes a very important aspect in presenting the synthesis documents of managerial accounting.

2) *The elaboration and use of a system of documents specific to managerial accounting.* Concerning the elaboration and use of the system of documents specific to managerial accounting, the Ministry of Finances offers a complete liberty to entities. This way, in order to reflect expenses and the realization of costs calculation into the managerial accounting, each entity can organize its own system of documents to ensure the collection of expenses (according to bearers and expenses sectors) as well as to determine the effective cost of the obtained production.

In order to fill up the system of documents specific to managerial accounting one we must consider also the function of determination of costs and the functions of managerial accounting in order to achieve its objectives. This way the process of elaborating the system of documents, that serves the managerial accounting, implies the setting of a certain number of forms, that will have specific names and previously established purposes, concerning: the template, the way of filling up and the persons responsible with their filling up, the number of copies, their circulation and the final destinations for keeping and archiving. The goal of this system of documents aims at a performing management which can be achieved by satisfying the informational requests necessary to manage the entity and the other departments implicated in the decisional process. This way, at the level of managerial accounting we can identify three categories of documents:

a) *Justifying documents.* These are made of:

- Primary documents were there is a record, as a rule, for a single operation, in the moment of the development of the process or of the economic phenomenon (consumer note);
- Centralizing documents which cumulate as a rule several information regarding the same economic process or phenomenon. They are based on a series of documents of the same type (*expenses centralizers*) in order to facilitate their later accounting processing (fiche of ante-calculations and post-calculations).

b) *Documents of accounts and accounting processing.* Primary documents are transposed into accounts, based on the principle of the double Registration, through the means of an accounting formula, following strictly the procedures specific to the method of accounting. The accounting processing of documents is made through the means of registers (journal, inventory, Big-Book).

c) *Documents of synthesis and accounting reports* cumulate several information into a single form, which is coherent from the accounting point of view and reflects a more complex phenomenon, or an economic activity, being achieved on the basis of the other justifying documents. In this category we have the check sheet, the account of results and other situations of reporting the

deviations and performances of an entity like: situations of deviations related to bearers and sectors, their reports of analysis, budgets, calculation situations of the results according to the calculation objects (products, works, services) or to activities, informative notes or detailed reports concerning the performances achieved at the level of activity sectors or that of the realized products, the dashboard, the balanced dashboard, the comparative analysis, the cost-benefit analysis etc.

There is a multitude of documents that can be created and used on the level of managerial accounting according to the specific of the activity, of the peculiarities of each entity, but especially according to the informational necessities of the managers.

3) *The adoption of a method and of some specific procedures of cost calculation.* According to accounting regulations in Romania, the calculation of costs can be done according to one of the following methods: the global method, the phase method, the command method, the method of the standard cost, the method of variable costs, or any other method adopted by the juridical person in case according to the organizational type of production, the specific of the activity, the peculiarities of the technological process and the own necessities. In the specialized literature we may find also other methods of calculation of costs like: the method of cost calculation according to activities (Activity-Based Costing), the method of the target costing etc.

The adoption of a certain method of cost calculation is done by reaching the objectives of the entity. The applying of a certain method of cost calculation at the level of the entity implies to appeal to certain procedures of calculation like: the procedure of supplementation, the procedure of the extreme points, the procedure of rounds, the procedure of the equivalence indicators, the procedure of equivalence of the secondary product with the main product, the procedure of the rest value etc. The procedures used in managerial accounting are set according to the qualitative characteristics of the information requested by the users, as well as the peculiarities of the activity.

The organization of managerial accounting into an advertising entity implies to take into consideration the *factors that influence the organization and the principles of managerial accounting*. Among the factors that influence the organization of managerial accounting into an entity we mention:

The profile and size of the entity. Considering the size in classifying entities (big, middle-sized and small) we must approach the issue of executing the works of managerial accounting. Within large entities, the works of managerial accounting are organized by the departments of planning and accounting, situated within the production sections, but also at the entity level.

Compared to large entities, within medium and small entities all works of managerial accounting are organized by the specialized offices and departments.

The organizational structure of the entity. The general frame on which the system of managerial accounting is based is delimited by: the *production structure* and the *functional structure*. The *advantage* principle of the production structure is represented by the strict delimitation of calculations for sections, workshops, sectors etc. and allows the extraction of supplementary information necessary for the optimization of those activities. Compared to the production structure, the *functional structure* is identified and can be followed through the administrative and managing sector, finding it in the ante-calculation of costs through budgets;

The organization of the activity or of the production process. Considering that the production type represents a functional state of a production link or of that on an entity, determined by its technical and organizational characteristics, we can delimitate this way two types of production: mass production (large series) and individual production (middle and small series). Among the *advantages* offered by this type of production we may mention:

- individual production, in small and medium series ensures a high degree of flexibility of the enterprise. It allows the small costs adaption to the needs (requirements) of the consumers (customers) in order to introduce new products on the market, in a very short time.
- Mass production is characterized by a high degree of economic efficiency and profitability at the entity level.

The specific of the activity, of the technological process. Considering the type of production, from the technological point of view, we find: *simple production* and *complex production*. The main *advantage* offered by the simple production within the technology used is represented by the reduced volume of work in making the calculations for the product costs, while the main *inconvenience* offered by the complex production within the technology used is the one opposed to the simple production, that is the high volume of work in developing the documents of centralization and calculation of costs in the case of complex production.

The degree of specialization and integration. Among the other factors, the degree of specialization helps organizing the managerial accounting stressing the profile of entities and the volume of the works of determining costs on the level of entity and products. All these help to select an adequate method for the calculation of costs, appropriate with the specific, the degree of specialization of the entity. This way, we can delimitate between *specialized entities* and *unspecialized entities*.

Within specialized entities, the degree of specialization and integration presents the following *advantages*: the possibility of rapid change of the products' classification; the high degree of specialization of the machines, workers and products; it implies a much simpler and less costing calculation. Within unspecialized entities, the degree of specialization and integration presents the following *disadvantages*: difficulty in changing the classification of the products done; a lower degree of specialization of the machines, workers and products; it requires a much more complex and very expensive calculation, and the tendency is to reconversion.

The degree of mechanization, automation of production. Together with the degree of specialization and integration of the entity, the degree of mechanization and the automation of production also play an important role in the organization of the calculation of costs. This way we may distinguish entities which use a *manual process of production* (they are still present in quite big numbers, but their tendency is to be reduced following mechanization and automation as a result of the large-scale technological development) and other entities which use a *mechanized production process*: forms of organizing production in flux: automatic flux lines (of the complete or sectioned type); automatic rotor lines; conveyors; sectional conveyors; the prod-synchronous system etc.

The character of the production process. It is one of the most important factors that must be taken into consideration for the organization of cost calculation. The character of the production process makes its mark on the way of registration of future costs, considering the way of including the affected expenses to the production of goods. This way we may distinguish: *entities with continuous production* and *entities with seasonal production*.

According to the Accounting Law no. 82/1991, republished and presented in the Official Journal no. 23/12.01.2004 it is stipulated that "to ensure a real and exact content of the structure of costs the following principles will be taken into consideration:

a) *The principle of separation of expenses concerning the obtaining of goods, works, services to the expenses that are not linked to the acquisition, production or overtaking etc. of these.* This implies that at the level of the calculation objects set for each juridical person the expenses that can be attributed to those objects should be separated from the expenses occasioned by the rest of the activity. Expenses that do not participate to the obtaining of the mentioned calculation objects like: administrative expenses, sale expenses, the fix administration not allocated to the cost, financial expenses, extraordinary expenses etc., are not included into their cost.

b) *The principle of delimitating expenses in time.* It implies that the inclusion of expenses into the costs should be made in the managing period to which those expenses belong.

c) *The principle of delimitating expenses in space.* It implies the delimitation of expenses made in a certain management period according to the main processes or other expenses places that caused them, like: supply, production, administration, sell, and within the production sector, on sections, workshops, fabrication lines etc. Within the mentioned structures there can be constituted production centers, profit centers or other responsibility centers related to which the delimitation of expenses is deepened.

d) *The principle of delimitating the productive expenses from the non-productive ones.* It implies the delimitation of productive expenses, which are creating value, from the non-productive expenses.

e) *The delimitation of expenses related to the finite production of expenses concerning the production that is being executed.* This principle is valid for those productive units whose production is presented partially at the end of the management period in various stages of transformation, its quantity and value being defined from one managing period to the other”.

The correct determination of the size of production that is being executed influences not only the exactness of the size and structure of costs at the end of the management period, but also other economic and financial indicators (profit, rate of return etc.).

3. The execution of managerial accounting. The profile and attributions of the managerial accountant

According the Accounting Law no. 82 from 24th December 1991, republished, with all modifications and later completions in the Official Journal of Romania, part I, no. 454 from 18.06.2008, article 1, commercial societies, cooperative societies and the other juridical persons *must organize and execute their own accounting, respectively the financial accounting and the managerial accounting adapted to the specific of their activity.*

In large entities, the exercise of executing managerial accounting is done by the economic director, chief-accountant or other person empowered to hold this position. These persons must have an academic economic training.

Managerial accounting can be organized and executed on the basis of contracts of services in the area of accounting, closed with juridical or physical persons, authorized, according to the law, members of the Body of Expert Accountants and Authorized Accountants of Romania. The liability for the improper enforcement of accounting regulations lies with the economic

director, chief accountant or other person empowered to hold this position, together with the subordinated staff.

When the accounting is done on the basis of a service providing contract, closed with juridical or physical persons, authorized, according to the law, members of the Body of Expert Accountants and Authorized Accountants of Romania, the liability for executing the accounting lies with them, according to the law and to the contractual stipulations.

According to the new regulations, the administrator does not have the right to liability anymore for executing the financial and managerial accounting, as stipulated by the previous form from the Accounting Law no. 82/1991. Therefore, an entity must have its own accounting, internal (with an accounting department) or external (with a contract for providing accounting services).

In our opinion, the head of the department of managerial accounting must be the managerial accountant. He must be responsible for the good functioning of the informational system necessary for keeping evidence of the economic and financial operations at the level of managerial accounting which serves in the end the decision-making in an entity. The managerial accountant forms his own team with which he will ensure the good development of the works specific to managerial accounting. We present some of the attributions a managerial accountant would have:

- Active involvement in planning, achieving and perfecting the architectural system of managerial accounting;
- Drawing up the account plan specific to the managerial accounting, of the methodological norms of use (content and function of each account), of the scheme of accounting correspondences and of a monography which to contain the registration into managerial accounting of the main operations (which will consider the specific of the method of calculation selected and the corresponding calculations procedures);
- Participation in the elaboration of the set of documents specific to the managerial accounting and their adaptation according to the specific and objective of the entity;
- Ensures a permanent information, cooperation and communication among the departments involved in collecting and processing information, regardless of the hierarchical level;
- Makes available for those responsible the adequate instruments of management;
- Builds up the team he will lead and coordinate;
- Assistance in the decision-making.

In other words, if we were to draw up the profile of the managerial accountant, this would be: an active person, able to communicate and supply

rapidly reliable accounting information, to coordinate and create the necessary climate for the development of the activities specific to the managerial accounting, to cumulate multiple competencies (accounting, informatics, mathematics, statistics etc.), to contribute to the professional training and orientation of the behavior of the subordinated staff and to motivate it in order to obtain performances etc.

Conclusions

In order to ensure the success of implementation of the normalization of managerial accounting it is necessary for the three big objectives mentioned above to be achieved simultaneously. Normalization is the process that puts managerial accounting on its normal track of meeting its objectives and functions, contributing thus to the better management of resources, to the exercise of a good management for long periods of time. At a microeconomic level, the managerial accountant is the one who will have to plan, implement and manage correctly all the activity of managerial accounting, on him depending largely the exercise of an advanced management.

Notes

- (1) The Professional Accountants in Business Committee.
- (2) International Federation of Accountants.
- (3) See Ion Ionașcu, *The dynamics of modern accounting doctrines*, Economica Publishing House, Bucharest, 2003.
- (4) See K. Ebbeken, L. Possler, M. Ristea, *Calculation and cost management*, Teora Publishing House, Bucharest, 2000.

References

- Briciu, S., Căpușeanu, S., Rof, L.M., Topor, D. (2010). *Contabilitatea și controlul de gestiune. Instrumente de evaluare a performanței entității*, Editura Aeternitas, Alba Iulia
- Căpușeanu, S., Preda, I.A., „Analiza planului contabil general din România. Posibilități de adaptare la metoda ABC (Activity-Based Costing)”, *Economie teoretică și aplicată*, nr. 11/2008, pp. 71-78
- Neamțu, I.H., Teiușan, S.C., „Normarea și normalizarea contabilității de gestiune la nivelul întreprinderii”, *Annales Universitatis Apulensis Series Oeconomica*, nr. 8/2006
- Ordinul MFP nr. 1826/22.12.2003 pentru aprobarea Precizărilor privind unele măsuri referitoare la organizarea și conducerea contabilității de gestiune, Monitorul Oficial nr. 23 din 12 ianuarie 2004