

The impact of management accounting practices: Comparative analysis study between Jordan and Romania

Omar ALHATO

“1 December 1918” University of Alba Iulia, Romania
Omar_alhato@yahoo.com

Abstract. *The most topical twenty years ago in the 20th century; there has been a development of accounting research in rising economies. Research in management accounting takes very diverse academic perspectives; this may be embedded in a mass of compound factors, including the increasing pressures of globalization, technological advancements, and the business volumes of enterprises that have enlarged and developed significantly. Moreover, this paper gives further exact proof of the utilization of managerial accounting techniques. Specifically, it provides a focused analysis of management accounting research published in recent years. The core intention of this paper is to present an overview of some of the recent management accounting literature. With respect to the use of managerial accounting in Middle East nations in the case of Jordan and compared to Romania.*

Keywords: management accounting practices; literature review; Jordan; Romania; comparative analysis study.

JEL Classification: M41.

1. Introduction

Accounting data and information are basically very significant for managers, official authorities, and organization outsiders; as these managers require qualitative information about the status of activities for the organization in order to make the right decisions and future plans for these activities, this information represents management accounting. While the legal authorities and outsiders of the organization require quantitative information that represents the financial accounting.

Modern economic conditions and globalization stimulate the business organization to find effective ways for Increases the Company's profit which is possible in the situation of properly providing information support of the management system. The required new information has the option to show through accounting techniques that generate information flows related to the company activities.

In accepting management accounting in a competitive business environment, great research has gradually focused on the various aspect. When business organizations react to challenges by embarking on a change management path, they will feature the selection of which one of the substitute management methods, tools, and systems would be most effective (Waldron, 2005).

Numerous academic accountants and organizations explained the definition of management accounting in various ways (Madegowda, 2007). But there present is one basic spot expressed in that description, which clarifies managerial accounting. Noreen has described managerial accounting as concerned with three vital activities – planning, controlling, and decision making, Controlling involves gathering feedback to ensure that the plan is being properly effected or adapted as conditions change accounting gives emphasis to decisions that affect the upcoming, importance, appropriateness, and segment performance (Noreen, 2009).

2. Research methodology

In the present study, the following general scientific methods were used as research tools: analogy, historical, analysis, comparison, observation, systematic approaches, and reviewed articles on management accounting published. Hence; it could be the right moment to appraise the maturation of managerial accounting practices and present structure. To attain this, altogether put three purposes for our study:

1. To exhibit the managerial-accounting-techniques' adopted in the case of Jordan and compare them to Romania.
2. To explore the published material that had tacked top-most implications on our control and follow their evolving research utility over time employing quantitative methods.
3. To discover and view the evolvement of the crucial consciousness for managerial accounting practices.

3. Literature review

3.1. Management accounting practices

Managerial accounting practice has therefore been revealed in the latest years. Yazdifar and Tsamenyi (2005) had prior stated that there was a flurry of articles aimed at developing the latest (modern) management accounting techniques. New managerial accounting practices include (ABC), kaizen costing, balance scorecard, and others. Abdel-Kader and Luther (2006) mentioned that the most notable innovative management accounting techniques are activity-based techniques, strategic management accounting, and the balance scorecard. However, the diversity of management accounting practices adopted by organizations has been classified into various categories. Sulaiman et al. (2004) separate the various management accounting practices into Conventional Management Accounting Practices (CMAPs) and Strategic Management Accounting Practices.

Accounting management literature states that management accounting practices have transformed considerably from traditional accounting management (variance analysis and financial-based performance measurement) to a more contemporary accounting management because of the development of informational technology, competitive environment, economic recession, and contemporary management accounting practices (Yudhi, 2018). The change towards contemporary accounting management is used to support organizational operation in a dynamic environment which encourages many developed countries to introduce new management accounting practices and financial accounting systems such as; the activity-based-costing, Product-Life-Cycle Costing, Quality-Cost-Management and Balanced-Scorecard (BSC) to measure performance (Permana, 2017; Suryanto, 2016).

3.2. Management accounting practices in Jordan

Accounting is contemplated to be one of the most crucial careers that impinges on the market and society. Socio-economic causes have had a significant force ahead the approach of accounting practiced and regulated in Jordan. Middle-east accounting principles were renewed to pick up the feature of accountancy data. Accountability systems in developing countries became significantly weighted by industrial nations such as USA and UK (Hutaibat, 2005). In view of this, accounting in Jordan has been influenced by the UK and the USA for many reasons firstly: most Jordanian academics and researchers have completed their graduate studies in USA and UK. Secondly: when its accounting practices were applied to Jordanian businesses during the period of British occupation and through its aid to Jordan after independence, during the 1950s and 1960s, the Jordan governance constructed big firms to slot in operations such as potash-mining and fertilizer production. The expansion of the economic environment from that time has made important requests for accountancy in Jordan (Abedel Razaq et al., 2015). Lastly, the US has influenced accounting practices in Jordan through its investment in Jordanian business and through its constant economic assistance and the ordinary want of emerging

economies to benefit from the US's industrial power. During the last century in the 1970's the government continued to expand the public sector, and recognized the Amman-Financial-Market (AFM) to assemble issuing and trading of public companies' shares.

For the Jordanian companies, management accounting specifically activity-based costing (ABC), is known among Jordanian academics who have studied abroad since the early 1990s (Hutaibat, 2005). Activity-based-costing initial appearance in Jordanian-writings at the beginning of 1990. Management accounting practices (MAPs) that are currently used by enterprises and presented in Jordan according to Zaid Abdulkarim et al. (2018) study examining the use of management accounting practices by Jordanian Small and Medium-sized Enterprise (SMEs). The data was generated via questionnaires and interviews. The results revealed that the usage rates of MAPs in Jordanian SMEs are fairly low in comparison to usage rates reported in the studies conducted in developed countries. MAPs have an essential role in SMEs by enabling the determination of product cost information, planning and controlling, issues discovery, evaluation of employees' efforts and customization of management bonuses, generation of related data for choice on broad method, the release of newer goods, values adjusting and estimation and prediction of potential risks. Modern techniques such as ABC are not widely adopted in practice possibly due to the uncertainties, practicalities, and costs involved in obtaining the information. Thus, it appears that there is a gap between the theoretical side and how management accounting is done in actual practice at least in the context of Jordanian manufacturing SMEs.

According to (Eman and Mahmoud, 2017) study applied in small and medium-sized enterprises (SME), The study sample consisted of 100 financial managers and accountants, the study revealed that the factors (size of enterprise, age of enterprise, and degree of competition faced) individually and cooperatively approve the (M-A-Ss) quantifying together (cost-accounting system and budgetary systems) at the small-scale and medium-sized enterprises in Jordan. And also showed that there were difficulties in adopting the MASs by SME industrial enterprises in Jordan.

In another study by Rababa'h (2014) used a questionnaire survey and semi-structured interviews were utilized to find out the factors impacting the implementation of a Balanced Scorecard BSC within Jordanian shareholding manufacturing companies. The findings revealed that BSC's implementation in the context of Jordanian Manufacturing Companies is approximately 38%, the findings from the interviews showed that the barriers to BSC implementation are considerable costs of embedding and sustaining the scheme follow-up by the shortage of data to implement BSC.

3.3. Management accounting practices in Romania

The enlargement of accountancy in Romania is able to be outlined in two phases. The first phase was "Socialist Realism" (1947-1989), a stage characterized by: 'operating' in the absence of real and effective price mechanisms. The purpose of this scheme was to

document direct belongings of the actions of the state enterprises in monetary terms but deriving from the pre-determined prices. As values were monitored and premeditated registers created through the scheme missed an economically substance, driven by the communist ideology (Hentea, 2007). The second stage was after the 1989 revolution (Mutiu et al., 2004). During the year 1991 released Accounting rule number (82) was introduced market-driven accounting principles. During this period Romania started the beginning of the transition to the market economy. The transitional procedures, beginning the concentrated economical context to the free-market economics characterize a lay of complex reforms of which the key issue involves privatization, and labor market reform. Transposition procedures require to be covered among detailed activities, comprising the advancement of an appropriate institutional framework, education of the accounting professionals.

Managerial accounting holds diverse progress. This progress is heavily subjected by the social-political schemes, together with the development of the economic and business environment. (Calu et al., 2017) An early form of manifestation of management accounting in Romania was cost calculation (1st generation). As mentioned by (Evian, 1947), the initial article settling this subject in Romania was the doctoral thesis "Industrial Costs and their Calculation" prepared by Tarția in 1940 under his coordination. As a consequence of the specificities presented on the politico-economic sketch and to be the legislative changes that have occurred over time, Jinga et al. (2010) identified three generations of cost calculation in Romania: 1st generation (until 1947) for which there is little evidence on the concepts and practices used, 2nd generation (1948-1994) characterized by the preservation of the concepts popularized during the previous period and attempts to bring forward new concepts, and 3rd generation (1994-present) characterized by the preservation of the concepts starting the preceding era (excluding for the algorithmic rule for computing retail-price beginning from full cost) and the introduction of some new concepts and methods.

Dan Dacian 2017 study has examined the use of traditional and modern management accounting practices (MAPs) by Romanian Small and Medium-Sized Enterprises (SMEs). Dan reached result related to the traditional management accounting practices extensively used such as the budgeting systems for controlling costs and planning cash flows, the usage of modern MAPs by Romanian SMEs are considered of low importance (e.g. benchmarking, target costing, strategic costing, zero-budgeting, Just-in-time costing, etc.). The writer regarded the essential causes for not be taken those techniques by Romanian Small and Medium-Sized Enterprises are (1) high cost of implementation; (2) time-consuming; (3) financial constraints.

Hatif and Sadik (2012) conducted a survey questionnaire study to investigate about the application of strategic management accounting in Romanian companies. The study concluded that the management of companies studied realizes that there are many constraints and difficulties facing the process of application and use of these methods

(for example, Value-Chain, activity-based-costing, Balanced-Scorecard) by Romanian-firms.

In compliance with (Calu et al., 2017) study was aimed at the analysis of the attitude of accountants from Romania with respect to data awarded by managerial accounting, survey demonstrated that managerial accounting depended on the economic and political environment in the country. A special case was represented by the period of 1948-1989 when the management accounting system was used only for statistical purposes and not for decision-making. From the time dropping of the communist regime in the year of 1989, provided that the nation went to a market economy, accounting changed its role, being now used as a decision-making tool. The exploration of the modification factors (the direction prevailing in the global context, modification in the area of national accounting legislation, and the typology of accountants from Romania) represented the starting point for interpreting the results from the two surveys carried out similarly in 2009 and 2014.

4. Conclusion

The current study reviews some of the recent management accounting literature reviews. Affiliated compliance to resort of the management-accounting practices in mid-east nations in the case of Jordan and comparing to Romania. This study also discussed the topic of management accounting practices (MAPs) and mentioned the background of the Jordanian accounting system, and the important previous study had done in that field, furthermore. This research explored the Romanian-accountancy-scheme; in markedly on management-accounting practices. And submitted the previous study for the implementation of managerial accounting by several Romanian industries.

The finding of the study in terms of the use of traditional management accounting practices (MAPs) showed the extensive use of budgeting for controlling costs and planning cash flow in both countries Jordan and Romania. On the other hand. In terms of the use of modern management accounting practices (MAPs) like (Value Chain, activity-based costing (ABC), and Balanced Scorecard (BSC), the study has shown limited use for these practices for both countries. By virtue of the fact of the availabilities and surcharge occupied in acquiring the data, the firm's identity operations and financial constraints.

Furthermore; this research affected to numerous limitations. First, this research not studied numerous nations; this study investigated the application of management accounting practices between only Jordan in the Middle East countries and Romania considered a country in the European Union. Second, this research is mainly concerned with past previous publications in the domain of management-accounting-practices.

References

- Abdel-Kader, M.G., and Luther, R., 2006. Management-accounting-practices in the British food and drink industry. *British Food Journal*, 336-357.
- Rababa'h, A., 2014. The Implementation of Management Accounting Innovations “The Case of Balanced Scorecard Implementation within Jordanian Manufacturing Companies”, *International review of Management and Business Research*, 3(1), 174-181.
- Hentea, C., 2007. *Brief Romanian Military History*, Scarecrow Press.
- Calu, D.A., Dumitru, M., Dumitru, V.F., and Jinga, G., 2017. The Change Drivers in the Management Accounting in Romania, *Transformations in Business & Economics*, 16(2), 21-41.
- Cuzdriorean, D.D., 2017. The Use of Management-Accounting-Practices by Romanian Small and Medium-Sized Enterprises: A Field Study, *Accounting and Management Information Systems*, 16(2), 291-312.
- Eman, Al-H., and Mahmoud, N., 2017. The Factors Affecting the Different Management Accounting Practices in Small and Medium Sized Enterprises in Jordan, *HRMARS*, 7(12), 970-978.
- Noreen, E., Brewer, P., and Garrison, R., 2019. *Managerial Accounting for Managers*, 5th edition. McGraw Hill.
- Hatif, M.A.-H., and Sadik, H., 2012. Strategic management accounting techniques in Romanian companies: An empirical study, *Studies in Business and Economics*. 126-140
- Hutaibat, K.A., 2005. *Management accounting practices in Jordan: A contingency approach*, Bristol University.
- Jinga, G., Dumitru, M., Dumitrana, M., and Vulpoi, M., 2010. Accounting systems for cost management used in the Romanian economic entities, *Accounting and Management Information Systems*, 9(2), 242-267.
- Madegowda, J., 2007. *Management accounting*. 1st edition, Himalaya Pub.
- Mutiu, A., Tiron, T.A., and Matis, D., 2004. The Convergence process of reporting financial statements – the milestone in developing international reporting. Szent Istvan Egyetem Conference, Vol. II, 27-32, Godollo, Hungary.
- Permana, D., 2017. Toward the Best Model of Strategy Implementation in Indonesian Islamic Banking from the Lens of Strategic Clarity. *E. R. S. J.*, 20(4B), 3-15.
- Sulaiman, M.B., Nazli Nik Ahmad, N., and Alwi, N., 2004. Management accounting practices in selected Asian countries: A review of the literature. *Managerial Auditing Journal*, 19(4), 493-50.
- Suryanto, T., 2016. Audit Delay and Its Implication for Fraudulent Financial Reporting: A Study of Companies Listed in the Indonesian Stock Exchange. *E. R. S. J.*, 19(1), 18-31.
- Waldron, M., 2005. Overcoming Barriers to Change in Management Accounting Systems, *J. A. A. B. C.*, 2, Cambridge, 244-249.

-
- Yazdifar, H., and Tsamenyi, M., 2005. Management accounting change and the changing roles of management accountants: A comparative analysis between dependent and independent organizations. *Emerald Journal*, 1(2), 180-198.
- Yudhi, H., 2018. Change of Management Accounting Practices, *International Journal of Economics and Business Administration* VI(4).
- Zaid, J., Roshaliza, T., Rosliza, Z., and Wan, Z., 2018. The use of management accounting practices in Jordanian small and medium sized enterprises, *Academy of Accounting and Financial Studies Journal*, 22(2).