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| Research Article

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The Place of the Management Account in the General Account

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Annotation: This article explores the critical role of management accounting within the broader framework of general accounting, focusing on its integration, distinctive purposes, and contributions to organizational decision-making. It highlights how management accounting supports strategic planning, performance evaluation, and resource optimization, emphasizing its adaptability in dynamic business environments. The discussion also underscores the synergies and distinctions between financial and management accounting, providing insights into their collaborative value in achieving organizational objectives.

Keywords: Management accounting, general accounting, strategic planning, performance evaluation, resource optimization, financial reporting, organizational decision-making, business integration.

The concept of "Management Accounting", which is widely used abroad, is no longer a new concept for the accounting theory and practice of our country. However, despite this, the fact that many of our enterprises' management specialists still encounter certain difficulties (problems) during the implementation of management accounting has led to the formation of management accounting as a separate discipline in our country.

The ability to correctly understand and apply "management accounting" in the management process has become especially important for each enterprise official (manager). Simply put, it is not difficult to understand that the emergence of problems is caused by a lack of understanding or incomplete understanding of the content of management accounting and its implementation at the current stage of development of management and information technologies. Therefore, we found it necessary to study the content, historical roots and future development prospects of management accounting.

Considering that any research begins with a look into the history, that is, into the past, it is necessary to take into account that in the comments on the emergence and formation of management accounting, written by one of the leading scientists in this field, Professor V.E. Kerimov, he expressed his views within the framework of the history of the development of management and production accounting, and the existence of different opinions in the literature on this issue. At the same time, according to other authors, the idea that management accounting arose due to the restoration and development of any system is put forward. For example, V.F. Paliy in his monograph “Fundamentals of Management” put forward the idea: “…the need for cost accounting”. Summing up, we can come to the conclusion that management accounting arose only with the development of production.

The importance of “Management Accounting” in the application of management is that certain conditions arose due to the following historical factors:

- the transformation of raw materials into commodities through production using hired labor;
- an increase in the social efficiency of labor in production;
- changes in prices - varieties, in which goods were sold not at prices close to their cost, but at prices close to the cost of production, and free competition was created as a mechanism for the average rate of profit.

However, in our opinion, Management Accounting actually appeared simultaneously with the emergence of economic accounting, and was the result of commodity exchanges. That is, initially, stones, sticks and similar items were used as improvised tools in the accounting process, but over time it was improved. As we know, economic accounting is a very ancient account, dating back 6,000 years. It is the main element of the account used to record the results of events in everyday life. By the Middle Ages, the basic rules for accounting began to be created. At this point, it is appropriate to recall that the word accountant comes from the German language, that is, buch-book, galter-keeper. Based on the above facts, the concept of accounting, that is, accounting, was first introduced in Spain in 1263, and it began to be widely used in practice with the adoption of a special law requiring the preparation of annual reports in state-owned enterprises.

Indeed, the emergence of double-entry bookkeeping began to serve as a factor in the development of management accounting to a higher level. It is worth noting that the separation of Management Accounting in the structure of the general accounting of the enterprise also led to the further improvement of accounting.

The development of the production sector, in turn, led to the emergence of many industrial enterprises, companies and joint-stock companies, as well as free entrepreneurship, competition, capital, goods and labor markets, as well as free prices. That is, as Professor V.F. Paliy noted, the importance of Management as a tool for assessing the profitability of goods and the level of profitability of market prices has increased even more.

As practice shows, profit is created mainly in the production sector, and it is always worth remembering that it is materialized in the process of circulation. That is, in order to make a profit, it has become a simple formula that, first of all, goods must be sold on the market at prices above their cost. Selling goods at prices below their cost indicates that business entities are incurring losses and are expecting financial difficulties in the future. In this regard, the above-mentioned thoughts of R.Ya. Weitzman about: - fear of loss, that is, suffering losses, will give the topic greater openness and transparency, that is, in his opinion, fear of loss, that is, suffering losses, will cause the importance of Management to increase in the eyes of any business person.

Later, in the late nineteenth and early twentieth centuries, when, along with the concentration of production on the basis of scientific and technological progress, the process of further division and specialization of labor began to take place, new organizational and technical solutions began to appear, including:

- continuous operation of production,
- production and assembly of products using the conveyor method, the use of automatic processing lines produced so many goods on the market in a short time that, as a result, production management began to become more complicated.

As a result, problems began to arise related to the sale of products, a lack of working capital, and the attraction of borrowed capital. In addition, state tax authorities (state supervisory authorities), shareholders, creditors, and other interested parties began to demand more information about the financial, production, and commercial activities of business entities, since information obtained after the end of the reporting period was considered a shortcoming of management accounting, as if it were "posthumous information," and such information did not allow for prompt decision-making.

At the beginning of the century, a crisis occurred in the traditional management accounting, that is, as C. Harrison wrote, “Management accounting is in a state of deplorable crisis. We see that the attitude of engineering and technical thinking to the system (Management accounting - author's note) is in the inconsistency of its methods with the requirements and needs of industrial production”. In such conditions, profit became more dependent on the efficiency of management, the effective organization of production, the implementation of a clear policy of saving material, labor and financial resources, which, in turn, began to require a revision of the accounting system at enterprises.

The timely provision of accounting information to external and internal users, ensuring the preservation of commercial secrets, led to the division of the enterprise's unified accounting into two independent parts - financial and management accounting. This division of accounting into independent parts led to the centralization of financial accounting and the decentralization of management accounting.

Management accounting began to have its own tasks, helping to facilitate effective production management, that is, providing the management process with operational-analytical information, making it possible to control all production structures, their costs and revenues.

One of the principles of production management is the normative determination of the cost of products, the establishment of standards and schedules, standardization of operations, the preparation of standard instructions, the promotion of productivity, the principles of rapid, reliable, complete, accurate and regular accounting - the principles of which were proposed by the founders of the "classical school of management" F. Taylor, G. Emerson and other engineers of that time.

The work "Labor productivity is the basis of rapid work and wages" written by G. Emerson at the beginning of the 20th century also played a positive role in this regard. In this work, an attempt was made for the first time to separate the accounting of production costs as an independent section of accounting. The formation of management accounting as an independent branch of accounting in October 1919 was also greatly influenced by the creation of the National Association of Manufacturing Accountants of the United States, founded in 1919 on the initiative of the then representative of factory accounting, J. Lee Nicholson.

In 1911, C. Harrison first developed and put into practice a system of accounting for costs on a normative basis, and in 1918 he first proposed a number of equations for the analysis of variable costs. It is no secret that many methods in modern literature dedicated to the normative accounting system were created on its basis. The development of cost standards, estimates, and normative product management made it possible to quickly control the compliance of actual costs with normative costs, to quickly identify and eliminate deviations, that is, to create a new method of managing the cost formation process - management by deviations.

It should be noted that this accounting system is still widely used by leading industrial firms in the USA and Western Europe. For example, according to K. Drury, many firms in Great Britain use the normative cost accounting system. Another direction, which is considered the next step towards enriching management accounting and thereby restoring management accounting, is the development of the “Direct Costing” accounting system. This term first appeared in the USA in 1936. The main ideas of this system were outlined in an article by the American researcher C.

Harrison, published in January 1936 in the Bulletin of the National Association of Industrial Accounting.

This system is based on the principle of dividing costs into two parts, that is, dividing them into fixed and variable. An important period in the development of management accounting is the organization of cost accounting by responsibility centers, which was proposed as a new addition to the "Standard - cost" accounting system. This led to D. Higgins forming the concept of responsibility centers, i.e. determining the level of responsibility of specific individuals responsible for the results of their work. Other countries began to study these experiences during the period of economic recovery after the Second World War.

At the end of 1940, Great Britain sent a group of experts to the United States to study experiences in the management of industrial enterprises. Among them were accountants. Accountants studied accounting in US companies and submitted a relevant report, and in 1950 in Great Britain this report was published under the name "Management Accounting". In this report, the main focus was on the issues of management accounting, which is based on the control of production costs in the industrial enterprises of the USA. This report was translated into Russian in 1950, and the term management accounting was first used in our practice.

The term "management accounting" is literally translated from the English term "management accounting" and has some abstraction and contradiction. Because, according to the classical theory of management, any account is one of the functions of management. Therefore, the content of the account cannot be that of management. After the publication of this report, there was a long debate about the translation of the term. Opinions were also expressed about the translation of management accounting, not management accounting. According to Professor L. K. Zharikova, it was concluded that attention to production costs led American accountants to create a complex system of control of production costs and ultimately to the creation of a type of account called "management accounting".

At the end of the 40s of the 20th century, the term "production accounting" gradually began to be replaced by the term "management accounting" in the USA and some countries of Western Europe. During this period, accounting began to actively participate in the formation and implementation of management policy, and accountants

- provide,
- planning,
- making management decisions,
- began to operate in the field of establishing control over information provision of enterprise management services.

Management accounting led to the division of the existing accounting base into two independent: financial and management accounting chart of accounts. As a result, it began to affect the formation of unified national plans of the countries of the world. In this regard, Professor I.G. Kukukina writes, "In 1875, the foundation stone for management accounting was laid for the first time in the memorandum of the British executive directorate. Management accounting systems were first developed in North American textile and railroad enterprises in the first half of the 20th century. Later, it was introduced in tobacco products, photographic film and flour production enterprises." In textile enterprises, managers began to receive information about the cost of a unit of production, costs per worker and the cost of processing raw materials. The information of the management account is:

- for efficiency improvement and control;
- began to be used to make decisions on assortment and evaluation.

- information about labor productivity made it possible to make decisions on additional rewards for workers and improvement of technology.

Cost information began to help managers make decisions about the feasibility of purchasing new equipment, setting prices for current sales and special orders, setting labor rates, and more. Railway transport companies were the first to create a cost system in 1850-1870. This system made it possible to obtain information about the cost of delivery of 1 ton of various cargoes to different geographical segments and the ratio of operating expenses and income of enterprises. At Andrew Carnegie's steel foundry in the early 20th century, cost control was first implemented on the basis of a daily report on the material, energy and labor costs spent on 1 unit of product. This information was used to evaluate the performance of managers, workers and masters, control the quality of materials and make current management decisions.

The official recognition of management accounting as an independent discipline within accounting occurred in 1972. At that time, for the first time, the American Association of Accountants developed a diploma program in management accounting, which would provide graduates with the qualification of “accountant-analyst”. Consequently, management accounting, as an independent academic discipline, was also included in the curriculum of higher education institutions.

In the economic literature of our country, the concept of “Management Accounting” appeared after the publication of the works of N.G. Chumachenko (“Accounting for Production Costs in US Industrial Production”, 1971) and S.S. Satubaldin (“Accounting for Production Costs in US Industry”, 1981). By the 90s of the last century, revolutionary changes began to occur in the field of management accounting. This information is confirmed by the results of research by the “American Institute of Management Accountants” and the “International Federation of Accountants”.

Firstly, management accounting is now considered an integral part of the strategic management process. This is primarily due to the increasing role of strategic management in the context of the global transformation of the modern technology management system. Previously, management accounting was mainly focused on managing the “production sector”, but today it has risen to the level of strategic management accounting. In this regard, if we pay special attention to it, modern management accounting, using internal and external data, meets not only the needs of production, but also the needs of marketing and other similar functions of the business. Management accounting, based on current and long-term goals, is gaining a stronger place in our practice as a result of the development of methods for obtaining information about the main factors of achieving a positive result in the analysis of economic activities, namely costs, quality, time, etc.

In conclusion, the main purpose of management accounting has become a mechanism that helps companies achieve their strategic goals. It is no secret to us that achieving strategic goals involves satisfying the needs of customers, shareholders, and others. For this reason, today the main focus is on making a profit for customers, shareholders, and others through the effective use of funds, which has also led to a change in the role of the accountant-analyst in business entities. In this:

Firstly, he is transforming from a supplier of information for internal needs to a business partner, that is, a full-fledged member of the management team that makes management decisions. Secondly, in large companies, the practice of including accountant-analysts in the decision-making process is becoming widespread. For example, 20% of respondents from American companies indicate that half of their accountant-analysts work directly in the departments they provide services to. In our opinion, the above practice is also widely used in our country, which will create a basis for the further development of the discipline of "Management Accounting" as a result of these efforts.

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