THE USV ANNALS OF ECONOMICS AND PUBLIC ADMINISTRATION | VOLUME 17, ISSUE 2(26), 2017

THE INTERFACE BETWEEN FINANCIAL AND MANAGEMENT ACCOUNTING

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Abstract:

The purpose of this article is to offer useful information about the about the two branches of accounting, management accounting and financial accounting. The role of management accounting is to make the life easier for managers and to facilitate decisions that have to take on the production process or the smooth running of the business. The managers are in a continues need of various information, from the evolution of economics processes of the companies they are leading, up to the external environment. They required data information by different techniques, statistics, graphs, mathematical calculations, to substantiate the decision to take by data value, and not just rely on technical or quantitative. Financial accounting do not offer detailed information about the evolution or informational needs of managers, this is designed external users, like: state institutions, the competition, banks, suppliers, customers who do not require daily information about the entity. Instead, the manager request the detailed information, at irregular intervals, about the production process, the labor productivity, activity reports, internal entity, which often is not available to external users of accounting information.

The financial accounting is based on several conventions, laws, standards, helping financial data are comparable over time or between similar entities. The financial accounting offers information about the performance and financial position of the entity and making it intelligible at the same time by all the users. In the case of management accounting, the information do not have an standard presentation, the reports offers information about money, the moment when those have to be paid and the moment when they come back, as receipts.

The management accounting it provides futures information and what will happen, in contrast to financial accounting, who provides information about the past and what just happened. Management information uses tools with which to shape the future, to convert it from an uncertain and risky in one forecasted planned.

To understand the interface with financial accounting, management accounting is appropiate to provide contractual nature of relationship between the overall management of the entity and its subunits managers (factories, divisions, subsidiaries, branches, warehouses).Through the management contract, the owner entrusts general manager overall administration and management entity, and this, in turn, controls the management and administration of these subunits.

Key words: management accounting, financial accounting, management, costs, users.

JEL classification: M41, M51

INTRODUCTION

Over the centuries, there have been a number of changes in the evolution of human society, the transition to a new economy, reflected in international economic processes an phenomens. The regional and national integration will support the national entities development and individuals. This is defined under three areas: economic, environmental and social.

The modern society is no longer conceived without information, it becomes the key element in any „construction" predictive, whether economic or political. Analysis of the relevance and usefulness of the information contained in the annual financial statements, as a part o efficient financial communication to shareholders, given the increasingly broad group of users. The identification one or more caracteristics of financial and accounting information, can satisfy all the users, dependin on their needs, rights to obtain those information, the way they use, is meaning to offer the strctured information on areas of interest, information which are included in the financial statements.

Highlighting the conceptual and pragmatic solutions useful ans necessary to improve the accounting metodology, in taxation and the increasind quality of accounting information represents an alignment in order to offer the users all the necesary decisions on accurate economic entities.

Thus, in the context of increasing competitivity, all the entities will be able to meet the demands placed on the globalized market, made up from international investors who are more an d more interested by the economic entities and the informational flows flows from it.

ENIGMA CONCEPT OF EXPENSE AND COST

Cost and expensive word are used interchangeably in accounting. But a supported cost may be an asset or an expensive by the time the transaction was carried out the accounting transaction and the periodicity concept.

Specialy, in transactions like acquisition of physical assets, the classification of costs may be an important decision. When an asset is purchased, may appear more costs like purchase price installation price, transport price. So the accountant must decide what cost is incorporated in asset and that cost is spent immediately. Those costs who are spent immediately can be named benefit consumer. And the costs who are not spent immediately, but are included in assets accounts refers to capital expenditure. Some entities call them OPEX and CAPEX.

An expense is in reality a cost used during production of the entity. In other words, the costs appear in the income statement. In contrast, costs that were not used and remaining costs are reported in the balance sheet as assets.

To calculate the cost of a product, service, the issue of election expenses that will form cost. Generally, most expenses recorded in an account in financial accounting class 6, are embodied in costs.

THE SCOPE OF MANAGEMENT ACCOUNTING

The scope of management accounting is ampleand may refer to:

- financial accounting transactions were registered in the economic and financial documents and accounting records, through which draws up the balance sheet and financial statements. The statements of accounts as the basis for analysis and interpretation so managers need in their decisions;
- management accounting that is focused on the collection, analysis, distribution and allocation of profit absorption, finding the cost of production of goods or services. Management accounting provides information about areas of inefficient management and steps to be taken to avoid losses;
- The statistical methods are needed to analyze data management non quantitative. Such information is provided by statistical methods, which are based on simple techniques, charts, graphs, regression analysis, quality control techniques. These methods are an integral part of management accounting;
- Operational research - modern businesses face problems with a high degree of difficulty in the decision process. Operational research offers scientific solutions to these problems. Some techniques used are linear programming, queuing theory;
- "Organisation and Methods" is the name given by any conscious attempt, applied scientific organization to improve, simplify and improve methods and maintaining effective administrative mechanism, simplifying the process and reducing costs;

- Budgetary control is focused budgeting, comparison with the current and corrective action for any deviations. Therefore, bugetar control is part of management accounting;
- Information management system. Management accounting is preparing different types of reports to provide different levels of management. Based on these reports, management commits itself to exercise control over its affairs.

The purpose of management accounting is to calculate production costs that arise when the economic entity producing something, using materials cover the stages of a production process. Management accounting refers to the future: planning, decision making, market introduction of new products and prices. Management accounting provides information only for internal users, not being forced to disclose their internal data entity.

THE PURPOSE OF FINANCIAL ACCOUNTING

The puspose of financial accounting is more that bookkeeping recording. This is a part of accounting. Accounting is a process in which the owner is registering its business transactions in monetary form, so as to calculate at the enf of financial year the profits or losses obtained. Financial accounting information provided for stakeholders such as investors, creditors, debtors, the state institutions. Therefore we can say that accounting allows recording transactions properly, finding the end of the year result and information to the users (1).

The financial accounting aims a identification, measurement, recording and comunication process of accounting information, and the main objectiv is to determine the net result anf financial position of the entity and the communication of this information to interested users (2).

The purpose of the two branches of accounting playable in outline form and thus:

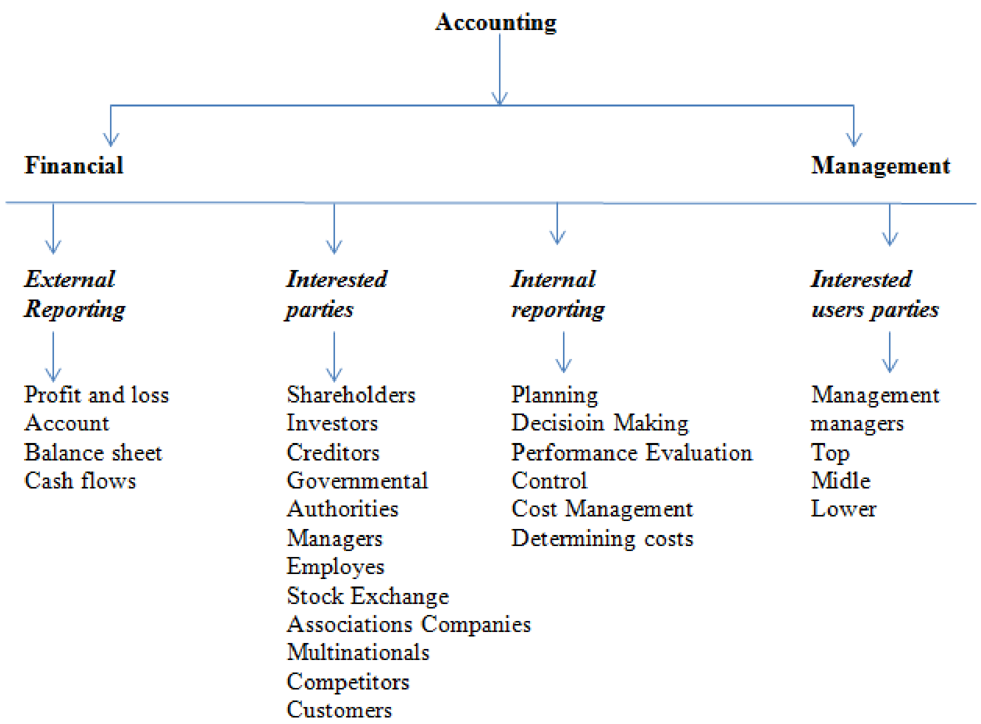

Fig. 1.3. The purpose of management and financial accounting (3)

5. THE RELATIONS BETWEEN FINANCIAL AND MANAGEMENT ACCOUNTING

The relations between the two of accounting branches may be studied under similarities between two of them.
The financial accounting which different users use in their activity can be compared, in terms of similarities with management accounting.
Between management accounting and financial accounting similarities appear in the following aspects:

- ✓ Both studies the impact of transactions and events within an economic entity;
- ✓ Both face interpretation and reporting of accounting information;
- ✓ Both transmit information on accounts to internal and external users;
- ✓ The primary data which are processed by financial accounting and management are accumulated within the same accounting system;
- ✓ Together use the same measurements of changes in assets and equity, expenses and income and cash flow;
- ✓ Financial accounting and management accounting are focused on managerial responsibility. In financial accounting management responsibility concerns to administration. Financial statements are reported to administrators as a set of information resources as a whole entity. Internal accounting reports, on the other hand, reflect management responsibility and ownership of the entity. These reports can be prepared for all levels of management, giving them authority to support the costs (4).

6. THE ADVANTAGES OF MANAGEMENT AND FINANCIAL ACCOUNTING

The advantages of management accounting

Management accounting assist management in decision making ,in policy formulation and coordonate daily economic acivity of the entity. Management should take tactical and strategic decisions for the future. Decisions such as produce or buy, develop or restrict your activity, to own or rent, modify or diversify business. Through techniques of management accounting and presenting relevant accounting data, it is possible that management make the best decisions;

Management accounting assist management in carrying out effective controls. Standard techniques such as cost, budget control helps in controlling operations management, planning processes and thus reaching the business goal, the change management helps business and prepare seasonal fluctuations exceed their activities so as to strike fluctuations also helps in measuring business performance management and evaluation of capital invested in various projects, providing jobs accountants.

The advantages of financial accounting

There are a lot of advantages established by the accounting system:

- ✓ Accounting records help stakeholders in making various decisions, from investments to loans to calling for further work. These help users to implement a system of internal management and external users in making strategic decisions;
- ✓ Financial Accounting plays an important role in the development of information useful in providing answers to several questions facing users of accounting information, but not limited to:

a. What is the financial condition of the business?
b. What was the entity's financial performance last year? But what will be next year?
c. What is profitable department and that department is not?

- ✓ Financial accounting allows a business to compare their results with other periods of time. It also allowed comparison of results with a rival entity;
- ✓ Financial accounting documents are based on well defined. These lead to the preparation of financial statements, these documents may be evidence in court;
- ✓ Accounting records need to exclude certain memory transactions. The volume of transactions does not enable a businessman to retain everything, so financial accounting helps in such circumstances;
- ✓ The IRS will consider information from accounting documents credible, if they applied general accounting principles;
- ✓ Carrying amounts are considered a starting point if the business if these will be sold, funds will be taken from the trial balance, which will help shareholders set a price appropriate (5).

The limits of management and financial accounting

The limits of financial accounting

The financial accounting, like any branch of knowledge, presents some limits. The changes conditions and environmental facts bring accounting science limits, some of them we present below:

- ✓ Financial Accounting does not provide detailed information about costs in different departments, processes, products, jobs. Separate costs on certain services are not provided by financial accounting;
- ✓ Financial Accounting does not have its own system of control of materials and supplies. Undoubtedly, if materials and consumables are not controlled in production will lead to losses in accounts, embezzlement, remains unusable, reported net income defects may influence the economic situation of entity;
- ✓ Accounting records wage and labor those are not kept on jobs, processes, products, departments. Also, do not provide a basis for rewarding workers and employees for their performance;
- ✓ Financial Accounting contains information on historical cost are accrued at the end of the accounting period. These accounts do not provide information about the costs and expenses daily. This is why shown discontent in connection with external financial reporting. Historical cost is not a basis to forecast future earnings, solvency and overall managerial efficiency. Information on historical cost is relevant but not appropriate for all situations;
- ✓ It is difficult to identify the behavior of costs in financial accounting, as long as the expenses are not allocated to the product will at each stage of production. The expenses are not classified as direct and indirect, so it can be classified into controllable and uncontrollable. Cost control, which is the purpose of all entities that produce, can not be achieved only with the help of financial accounting;
- ✓ Financial accounts do not have an adequate system of standards to evaluate the performance of departments and workers who work there. Standardization does not apply to all elements of a business. Standards must be developed on material, labor, so that an entity to compare the work of employees, supervisors and contractors, with what should have been done in a certain period of time;
- ✓ Financial Accounting analysis does not provide losses due to various factors, such as equipment, seasonal fluctuations in business volume. Management does not help in making decisions about business expansion, giving up a product, launching a new product, alternative production methods. Management decisions regarding these problems have become vital to the survival of the business entity;
- ✓ Financial Accounting not sharing the cost modules for determining the price of the product through all stages of production or of the service to the customer. Also can not prepare detailed cost reports in order to compare two time periods and also for comparisons between entities;

- ✓ Changes in economic conditions of a country have a direct impact on the entity's financial position. Inflation or deflation significantly change business value. Such a change is not described in the financial accounts, as business accounts must remain the foundation of the concept of cost. Trial Balance fails to give an accurate image of the business;
- ✓ Limits of financial accounting can only be understood by people who have accounting knowledge (6).

The limits of management accounting

Next information are the most important limits of management accounting:

- ✓ Psychological resistance: management accounting system brings a change in vision of managers to problems they face every day. It requiest to personnel reorganization and reorientation activities. It is going to draw especially discontent labor because some may be to exploit. Constant education about the benefits of new techniques will remove the fears of labor in general. Management accounting, as a new discipline, is no exception to this rule and experiencing psychological resistance, especially in the early stages of initiation;
- ✓ Install expensive: to install a system of management accounting in an entity are essential organization and developed a large number of textbooks. Instead, appear much of expenses that only a certain category of entities and can afford;
- ✓ Continued intuitive decisions: management accounting decisions made by intuition management removes and replaces them with decisions scientifically. Unfortunately, most managers tend to choose the easiest path, that of intuition in decision making, despite the scientific processes of management accounting offered every day;
- ✓ field application based on range: the purpose of management accounting is widely applicable and broad-based. This creates many difficulties in the implementation process. It's easy to record, analyze, and interpret historical events transformed in monetary terms, but it will be difficult to perform those functions in future situations quantitatively measurable in light of the past;
- ✓ Comprehensive Coverage: complexity of several subjects, such as financial accounting, statistics, engineering, economics, taxation culminated in the emergence of management accounting. Under these circumstances, these sciences will help establish standards and provide solutions to problems on financial performance;
- ✓ Stage of development: management accounting is a new discipline in growth. It is still incipient in a continuous process of revolutionary. Sure he will encounter obstacles and impediments before getting the perfection and finality. There is a need to find tools to analyze and improve techniques for removing doubt about the uncertainty in its application;
- ✓ Basic records: management accounting gathers information from various sources such as financial accounting, cost accounting, statistical and other basic records. If the information provided by them are incorrect, then decisions based on them are inaccurate and can lead astray;
- ✓ The principle objectives unwatched not be taken as such in management accounting. Collection and analysis is heavily influenced by the thinking of accountant;
- ✓ There is no substitute for management accounting: accounting management actually has a purpose in the end, this is business success to fulfill the objectives of the entity. Can not be replaced with a simple management tool or technique in the hands of management and business success depends on the willingness and commitment of the manager;

However limits the number of management accounting suffering can be reduced if the management is convinced about its importance and the need for management accounting. As long as these limits do not lessen the importance of management accounting (7).

7. CONCLUSION

Conclusions detached from article writed are those that were brought into account theoretical interface on financial accounting, management accounting, but small examples to help readers in understanding the concepts studied. Another reference can be made to the identification of management accounting and financial definitions from other states than Europe, definitions aimed at highlighting the concept of financial and management accounting. In this paper we addressed as a comparison notions of purpose, limitations, advantages similarities between financial and management accounting, and will highlight the main differences between the financial and management accounting, building on different landmarks. Then I addressed the issue of expenses and costs, defining the two concepts, sometimes similar, but so different, because expenses are subject to financial reporting and the costs is the key on which they held down the cost of production calculations.

The subjects were treated in theoretically bringing news from universal literature, but also Romanian.

In conclusion, we can say that in calculating the production cost of a manufactured good or provided services should be paid attention because the costs have to be chosen carefully, depending on the subject of cost, and if its determination is wrong, can entail the wrong decisions of managers, to remove the product from the market, changing the raw materials used for the changing of the tools, mistakes that can lead to unmet needs of consumers and indirectly decrease in sales volume, decreased revenue.

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