MANAGERIAL ACCOUNTING VS FINANCIAL ACCOUNTING IN THE KNOWLEDGE SOCIETY

CORINA MARIA DUCU, TASICA-DANIELA ENACHE, PETRE ȘTEFAN
UNIVERSITATEA ″CONSTANTIN BRÂNCOVEANU″, CALEA BASCOVULUI, NR. 2A, ARGEȘ
corina_ducu@yahoo.com
UNIVERSITATEA ″1 DECEMBRIE 1918″, ALBA IULIA
petresexc@yahoo.com

Abstract: *The knowledge society requires companies to take decisions based on rigorous information. The data which, in fact, lead to the adoption of certain decisions are provided by accounting. The determination and delineation of the importance and of the role of both managerial accounting and financial accounting is the approach of this paper work. The knowledge society gives a different conception on how information is structured so that to enable managers to quickly visualize the situation in the organization, to understand and to decide on an informed basis.*

Key words: *managerial accounting, financial accounting, decision, the knowledge society*

JEL classification: *M40*

In the knowledge society information is power (in the general sense), and obtaining and using information in the knowledge society makes companies distinguish between themselves. It is generally acknowledged that the main resource of the knowledge society is represented by knowledge, by the opportunity to hold and use it for oneself, so that the advantage is for those who best manage this knowledge.

Knowledge society generally determines the following advantages:

• achieving high performance in the way of functioning of the democratic state;

• helping to establish the conditions for the efficient functioning of the existing markets;

• leading to increased social welfare and living standards of the population.

These general outlines can not be obtained unless the concept that information is power is implemented within firms, since they represent true decision centers at microeconomic level. Until being able to talk about the way of functioning of the state, about the conditions in which the markets operate, about the standard of living, we must look at the basic level, which ultimately determines all these achievements.

The points of view are still conflicting on how to call this society that comes to replace the industrial society: the knowledge society or the knowledge-based society. Regardless the way we call this society, we must admit that within it, the changes are more consistent and they are conducted at a fast pace, covering future challenges on the existence and the activities carried out by organizations.

A direction that in which the knowledge society will act is represented by **the acceleration of the innovation pace for products and services**. This direction does nothing else but draw attention to how companies can withstand this fast pace of innovation. In this paper we propose to introduce the two types of accounting (financial and managerial) which provide managers (the company's management) the necessary information in the decision-making process. The fast pace in which requirements for the renewal of products/services occur forces accounting to manage to provide this information quickly, but especially in a manner that can be understood by decision makers.

Any company through the help of accountancy performs its internal and external representation. Starting from this consideration, we can say that the existence of two circuits in the company's information system is justified. A circuit presents the company in the external environment, being represented by the **financial accounting** *(also called face/external mirror*). The second circuit provides the information to the management of the company to support the decision making process by describing the internal processes specific to the company. It is represented by the **managerial accounting** (also called *face/internal mirror* of the company).

Financial accounting describes the company's patrimonial circuit taken as a whole and in its structure. Financial accounting aims primarily to provide summary information on the financial position, financial performance and the changes of the financial position.

The name of "managerial accounting" is found separately in different countries, for example: in Romania it is known as "**bookkeeping or management accounting**", in France it is called "**analytical accounting**". Even if the manner in which it is named differs, its role is the same, namely to serve as a tool in decision making by the company's managers.

Managerial accounting represents a separate field within bookkeeping, having as main objective the measurement, collection, processing and transmitting of information for planning (budget setting), computation, control and analysis of budgets execution to prepare the internal reports for management decision making.

In order to compare them it is necessary that these two types of accounting to be seen face to face through multiple criteria, to reveal the differences and similarities between them.

We intend to illustrate these elements through several questions:

1. Who are the main users of the information provided by the two types of accounting?

Managerial accounting provides information only for the internal users, while financial accounting provides information for both internal and external users.

2. Who imposes the compulsory character for the organization of these types of accounting?

The organization of the financial accounting is required by law. The organization of the managerial accounting is not required by law, and it is up to each company to decide upon it. Generally, the large and very large companies establish the functioning and organization rules for the managerial accounting starting from the specific activity and in correlation to the internal information needs, so that the decision-making process take place in the best conditions.

3. What is the purpose of organizing these types of accounting?

Financial accounting is organized to draft the financial statements for users. Managerial accounting is organized to provide information to managers in the decision-making processes. The decision-making processes refer to planning, directing and controlling the activities carried out in the company.

4. What is the objective of bookkeeping and analysis?

Managerial accounting has as objective the record and analysis of the company's sub-divisions, depending on its characteristics. Financial accounting distinguishes and analyzes the company as a whole, providing a complete image on it.

5. How often is it necessary to draft reports?

Financial accounting drafts the reports periodically, while managerial accounting drafts the reports at the request of managers (they may require regular reporting, or as needed).

6. How accurate are the data provided through the reports presented?

Financial accounting provides users with accurate data. Managerial accounting provides a set of approximate data.

7. How public are the reports?

The reports drafted by financial accounting contain information that is public. The reports drafted by managerial accounting contain information that is confidential and used only within the company.

The seven questions mentioned above, have generally pinpointed the differences between the two types of accounting, however, it must be noted that between managerial accounting and financial accounting there are also common aspects. These aspects can be summarized in the following manner:

• both financial accounting and managerial accounting examine the same primary documents, but clearly viewed from different points of view;

• managerial accounting determines the cost of manufactured products, and this cost is used by financial accounting to assess the stocks at the end of each month;

• both types of accounting comply with the generally valid accounting principles;

• both types of accounting generate situations and provide the necessary information to managers in the decision-making process.

By mirroring the managerial accounting with the financial accounting, we were able to point out only some of their specific aspects, but necessary in our approach to determine the existent or inexistent interdependency relation between them.

Clearly, accounting is the source of information for managers, but it provides information both general and detailed. Typically, financial accounting provides the general elements, while managerial accounting comes with detailed information, the significant share being represented by the information on costs.

As we have said before, the knowledge society aims to increase the innovation pace. In this situation the role of managerial accounting becomes more and more important through the information on costs which involve the improvement of the product/services on the market.

Starting from this statement, it is necessary that managerial accounting as well to develop, to improve its methods of cost calculation. The factors that led to this idea of managerial accounting improvement are:

- modernizing the forms of organization and management of enterprises;
- increasing the companies' social involvement in the contemporary period;
- the dependence of the economic activity of firms on the natural environment.

The development and improvement of managerial accounting should be performed in conjunction with the management structure used in the company, so that it is useful and effective. The older or newer improvement methods of managerial accounting should be viewed in close relationship with the company's structure, with the characteristic elements as they differentiate it from the other companies. The future should be represented by obtaining some integrated performance and cost measurement systems to provide the company's management accurate and rapid information in the decision-making process, but also information required for the financial reporting.

The knowledge society induces the need for quick and efficient information. As such, the company's management is in the position to take decisions that will circumscribe in the following types:

• strategic decisions, also known as long-term managerial decisions;

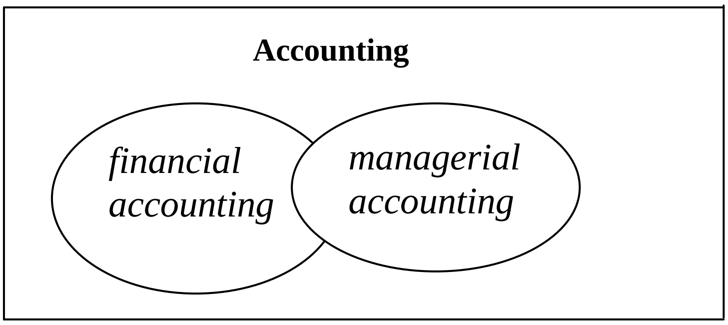
• operational decisions, also called current managerial decisions.

Currently the dualistic concept of accounting organization is being used in our country, just as in France and Belgium, while the monistic concept of accounting organization is used in the United Kingdom and Canada. There are advantages and disadvantages for both accounting organization concepts.

In conclusion, the analysis of financial accounting and managerial accounting in the mirror, merely wants to expound the idea that these two types of accounting are in fact parts of the same whole.

The financial accounting - managerial accounting relationship

Figure no.1



Source: made by the authors

For the whole to work it is necessary that each part to clearly establish their goals, but also to fulfill them, so that the entire mechanism to operate at optimal parameters. The decision-making process depends on the information provided by accounting, especially when the knowledge society is developing.

REFERENCES

1. Briciu Sorin – „Contabilitate mangerială. Aspecte teoretice şi practice”, Editura Economică, Bucureşti, 2006
2. Diaconu Paul – „Contabilitate managerială”, Editura Economică, Bucureşti, 2002
3. Diaconu Paul, Albu Nadia, Mihai Stere, Albu Cătălin, Guinea Flavius – „Contabilitate managerială aprofundată”, Editura Economică, Bucureşti, 2003
4. Ristea Mihai (coord.) – „Contabilitatea financiară a întreprinderii”, Editura Universitară, Bucureşti, 2004
5. Verboncu Ion (coord.) – „Management public”, Editura Universitară, Bucureşti, 2005.