UDC 657
JEL: M4

UPDATING THE ACCOUNTING PRINCIPLES BASED ON THE STRATEGIC CONCEPT OF BUSINESS MANAGEMENT

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A *The issue on updating the accounting principles based on the strategic concept to manage the company, and their affinity and specificity regarding accounting principles are studied.*

K *Accounting principles, requirements, conditions, rules to develop the management accounting.*

АКТУАЛИЗАЦИЯ УЧЕТНЫХ ПРИНЦИПОВ НА ОСНОВЕ СТРАТЕГИЧЕСКОЙ КОНЦЕПЦИИ УПРАВЛЕНИЯ ПРЕДПРИЯТИЕМ

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A *Досліджено питання актуалізації облікових принципів на основі стратегічної концепції управління підприємством, їх спорідненість та специфічність стосовно принципів бухгалтерського обліку.*

K *Облікові принципи, вимоги, умови, правила побудови управлінського обліку.*

АКТУАЛИЗАЦИЯ УЧЕТНЫХ ПРИНЦИПОВ НА ОСНОВЕ СТРАТЕГИЧЕСКОЙ КОНЦЕПЦИИ УПРАВЛЕНИЯ ПРЕДПРИЯТИЕМ

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A *Исследованы вопросы актуализации учетных принципов на основе стратегической концепции управления предприятием, их близость и специфика относительно принципов бухгалтерского учета.*

K *Учетные принципы, требования, условия, правила построения управленческого учета.*

Statement of the problem

Principles, arising from requirements of national and international standards of accounting and financial reporting, establish the basic methodological approaches to the development of management accounting, the economic information of which is purely financial in nature. However, the features to display this information in the system of management accounting enable interpreting their meaning (specification) and terms of implementation a bit differently, as well as expanding their list.

In addition, the wide usage of non-financial economic information in the strategic management, the source of which is the newest methods of developing the accounting on key performance indicators in the balanced scorecard, requires special justification of accounting principles, unique to management accounting.

Analysis of the latest researches and unresolved aspects of the problem

The issue of economic nature of principles to justify construction and keeping the management accounting, to form it as a science, remains debatable. In modern studies of domestic and foreign scholars the accounting principles are considered primarily from the standpoint of methodology of accounting and financial reporting, but the specifics of management accounting are not taken into account, especially one that is based on

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the concepts of strategic management. Therefore procedures and implementing the management accounting must meet not only the fundamental principles of accounting but also are to be based on the general principles of management and principles for developing the information systems.

Given the information needs of strategic management, **the purpose of the paper** is to study accounting principles of construction and implementing the management accounting that form it as a science and are the backbone to implement their actualization (fulfill with new content) and to justify specific principles, unique to management accounting.

The main research material

Management accounting generates and provides information for planning, decision making, business strategy formulation and evaluation, as well as its maintenance procedures must meet both the general principles of management – centralization and decentralization in management, them being combined, focused on long-term goals and participation of employees in the management, along with principles of formation of information systems – systemic and situational approaches.

This integrated approach will enable us operating those principles that meet the modern concepts of keeping and developing the management accounting that tends to actively integrate into the management of enterprise based on setting the strategic orientations.

The study of national and international regulations (standards) of accounting and financial reporting [1–3] makes it possible to define the following accounting principles: autonomy of enterprise, continuity of activities, frequency, historical (actual) cost, accruals and matching of revenues and expenses, the total coverage, consistency, prudence, prevalence of substance over form, the unique units of measurement. These principles are original (basic) regulations on maintaining and building accounting based on elements of accounting method and accounting procedures.

According to international standards and regulations US GAAP USA, the basic requirement for the quality of accounting information is its usefulness for decision-making by various user groups. For information to be useful, it must meet certain characteristics: relevance, clarity (understandability), comparability (congruence), reliability [2; 3; 4, p. 50–61]. These requirements are consistent with the qualitative characteristics of accounting information presented in financial statements in accordance with NR(S)A 1 "General requirements for financial reporting" [1].

The requirement on quality of information – relevance – is manifested in any case, the choice of the observation object, amount of information about the object and ability to influence management decisions. The quality of information about a particular object of observation is considered upon its materiality (not to be confused with the principle of prevalence of substance over form), that is timeliness in being submitted for decision-making or control. Information takes into account the circumstances when the decision is made, the target criteria and considers possible consequences of alternatives.

The requirement for quality of information – authenticity or reliability – provides that the information is true, if it does not contain material errors (that is accurate or complete (not to be confused with the principle of full disclosure)), and most importantly – no biased estimates (should be neutral).

According to U.S. accounting principles in management accounting, reliability is not the main feature of the quality of information which is used in lieu of requirement of "value (meaningfulness) of information" [5, p. 784–785], which is revealed through the requirement of "accountability", "analyticity", "feedback", "predictability" that, within the management accounting, provide for establishment of informational conditions for implementing management functions: planning, analysis (assessment), regulation and so on.

Given the need for users to provide a complete, accurate and unbiased information, accounting principles under the national standards should be clarified with requirements for the quality of information in line with international standards and US GAAP USA standards [2; 3; 4, p. 50-61], namely to reflect the nature, materiality (significance), timeliness, efficiency for requirements of relevance; truthfulness, prevailing of essence over form, completeness in reflecting, neutrality and possibility of checking for requirement of "authenticity"; clear, concise requirements for "clarity"; ability to be checked and efficiency for requirements of "comparability" (congruency).

Also the standard US GAAP USA [4, p. 56] discloses the quality of information as its value or meaningfulness (control, evaluative, analytical) for external users, making it suitable for financial analysis and control.

Concerning the value of accounting information for the purposes of internal users, such requirement in managerial accounting has predictive value or specified information to predict the development and meaning of feedback for performance evaluation. To reach these requirements one must apply the principle of sufficient scale indicators of financial and non-financial nature and predetermination of their parameters (critical ratio) in order to compare their set (planning, budgetary, regulatory) and reached (real) values.

It is necessary to pay particular attention to updating of existing principles of accounting and financial statements based on modern concepts of business management, including strategic, actively using the information of financial and non-financial nature, namely evaluation with historical (real) cost, measurement and synthesis of all business transactions in financial reporting with unique units of measurement, frequency, continuity of operations, accruals and matching of revenues and expenses.

The need for prospective and current valuation of assets, expenses, liabilities and income for different types of cost in managerial accounting, the principle of priority to evaluate the historical (real) cost becomes irrelevant, because it is not appropriate for assessing financial performance over time.

The principle of measurement and generalization of all business transactions on a unique measure of money is illegal in view of formation of management information on indicators of financial and non-financial nature. While majority of management information in monetary units of measurement is controlled by checking its compliance to financial statements (actual values), budget and planned data, applying the principle of an overall unity of quantitative and qualitative indicators (financial, physical, human) appears to be more logical.

The possibility to submit unique information on demand of management and current information for a certain period of time needs to be clarified with accounting principles of periodicity as the period of time during which the accounting information is generalized in registers of accounting. This principle should be interpreted as the frequency of providing accounting information in accordance with established rules of enterprise's procedure, reflecting its production and operating cycles, and therefore it is important to develop a management accounting system. Information for managers is needed when appropriate, and reducing the time for its preparation can reduce its accuracy greatly, but provide an opportunity to identify trends

Principles of accrual and matching the revenues and expenses, based on the temporal certainty factors of economic activity, set the methods for selection of information for management decisions concerning different periods of enterprise's activity as a whole and its business units in particular, to determine the selling price, to track compliance with tactics and strategies of the company. The effect of these principles is detailed specific principles of management accounting of the same group – adequacy of the chosen method of accounting and cost management, the adequate analyticity and separation (differentiation) of units of account, which are the basis for grouping of revenue and expenditure over time, their place of origin, centers of responsibility, budget centers, business processes, and so on.

The principle of continuity of activity for the purposes of management accounting is expressed in absence of intention to be self-destructed or reduce the scale of production and means that the company will develop in future. This principle aims to create an informational support for management decisions that are long-lasting: analysis of competitiveness of products, supply of raw materials, changes in the range and development of new products, investments, etc. This principle allows you to choose how to estimate costs and product sold to customers, and those that remained in production (work in progress), and in storage of enterprise (finished product).

Domestic and foreign scholars (S.F. Golov [6, p. 54], L.V. Napadovskaya [7, p. 18], I.V. Alexeeva [8, p. 27], E.A. Boyko [9 , p. 9], V.F. Palii [10, p. 18] and others) in their studies indicate that accounting principles other than those defined by international and national accounting standards with regard to their use in updating managerial accounting , include a number of specific (special) principles, featuring only management accounting, with those that outline requirements for data quality characteristics: efficiency, targeting, suitability for operational analysis (analyticity), and operational control (accountability), confidentiality, flexible but homogeneous structure, logic and multi-structure (hierarchy), communicative, and comparability of actual targets and their given parameters.

Almost all management accountants insist on attributing the requirements of confidentiality to qualitative characteristics of accounting information that provides guidance in keeping trade secrets, business and communicative information that reveals the links between governance structures. The latter requirement is clearly revealed through the condition of vertical and horizontal communication as a mean of regulating the receipt and exchange of information between departments and divisions, becoming the system of internal direct exchange and feedback, control and analysis.

Simultaneous use of quantitative and qualitative diagnostics in management accounting on the basis of their general unity makes it possible to implement the harmony principle for the accounting (real) and theoretical (analytical) indicators.

This principle reveals the nature of simultaneous use of financial and non-financial information in management accounting, and you can compare actual and planned figures (the principle of comparability) and their given parameters (norms) (the principle of critical ratio).

Also, these principles allow you to define a list of observed objects, their classification and characteristics of units to measure, including non-financial information, procedures for tracking production processes taking place in the enterprise in real time.

Importantly, these principles provide direct feedback between given (planning, budgetary, regulatory) and achieved (real) figures for the purposes of the company and its production units with definition of extent of their actual achievements, thus ensuring their identity.

These principles are valid for strategic direction of management accounting in the case of a system of key indicators of financial and non-financial nature. Approved (plan, budget, regulatory) strategic indicators within the management information in the same units of measurement as achieved (actual) figures reveal the contents of planning at various levels and operation of the management accounting system, based on the close relationship of key performance indicators with all functional processes of the company (supply, production, sales, maintenance, management).

The value of management information, disclosed in principles of controllability, analyticity, predictability, according to hierarchical approach, needs sufficient analyticity, suitable form and personification. It provides for implementing the performance analysis in a convenient manner that does not require additional analytical process and does not provide reverse synthesis of procedures (from lower to higher levels of management). So, there should be a set of requirements followed for the quality of information, among which the main are: comparability of actual and planned figures, harmonized accounting (actual) and theoretical (analytical) indicators, reasonable sufficiency of their number and given parameters (ratios), the violation of which results in loss of efficiency, controllability, analyticity and value of the control system.

The principle of hierarchy reflects consistency, a multi-leveled information structure by the areas of management. The principle of sufficient information analyticity requires management accounting, eliminating duplication and excessive analyticity in terms of structural divisions. At various levels of management the targets and actual values that are defined in the same units, are usually or more enlarged or rather detailed (analytical). These principles are simultaneously revealing the level of hierarchy of information and its vertical structure from smaller units of accounting (for lower level of management) with high analyticity and detailed indexes to larger units of account (top and middle levels of management) with a gradual decrease of analyticity and detailed indexes.

The principle of providing information in a usable form makes it possible to develop the accounting information in a composition and structure (format) with established indicators that provides control and reduces the complexity of perception of information by managers at various levels of regulation.

Formation of management information depends on the purpose and principles of the head office for which they are intended – the recipient – that means fixing responsible person for its preparation, so we can talk about the principle of personalization of such information.

These principles are closely connected with other information quality characteristics – relevance (appropriateness), clarity (readability) and comparability (congruence) of information.

An important role goes to matching the form of organizing management accounting with concepts chosen to implement it, that it the very process of accounting, which is modeled, namely matching organizational model of management accounting techniques and procedures for its maintenance (standard costing, direct costing, AB costing, target costing, the balanced Scorecard system BSC), etc.) with applied finance (budgeting, cash flow management) and planned (current and strategic forecasting) methods, and different concepts of economic management (traditional, strategic, innovative).

For example, financial budgeting and accounting method and calculation of the cost of business processes ensure the principle of sufficient analyticity of accounting information in action, which implements requirements for information quality – controllability and analyticity. Budgeting includes planning procedures of structural units and the company as a whole, drafting and amending budgets, final proof of targets and recording their changes.

Method of accounting and calculation of the cost of business processes (functions) of the company involves grouping expenses by major and intermediate activities depending on the level of control that is necessary for monitoring and evaluation of each unit, which is involved in production and sales, setting the part of responsibility for overall performance.

Despite all the differences in organizational forms and methods of accounting and calculation of costs, accounting and distribution of revenues, accounting and determination of financial results, the management accounting should cover all types of planning (forecasting) and finance (budgeting), which in total represent a mechanism to manage the enterprise as a whole, and its structural units. Assessment (analysis) and the control on performance provides for determining the revenue, expenditure on all levels of management, as well as trends and prospects of each unit in formation of profits from production to sales.

Together, all the principles of management accounting establish a complete and quite logical set of models to develop the accounting system to meet the needs of users and correspond with methods of existing management concepts.

Conclusions

Given the current models of management accounting and previous researches of scientists on the given issue, in our opinion, the management accounting principles are to be considered from two perspectives: the affinity (for joint accounting and management accounting) and specificity (especially regarding their individual implementation) of accounting principles.

This approach will ensure formation of required amount of management information for decision-making and enable the company to create an effective system of management accounting, depending on the selected management concepts, the type and size of economic activity.

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Дата подання рукопису: 22.12.2013 р.