

Роль інституційної теорії у формуванні методологічного базису управлінського обліку

Досліджено основи методологічного базису управлінського обліку. Для означення методології управлінського обліку автором розглянуті класичні підходи до трактування її сутності. Розкрито роль нової інституційної економічної теорії у процесі його формування. Проведено паралель між традиційними та інституційними підходами стосовно становлення і розвитку методології управлінського обліку.

Ключові слова: інституційна теорія, методологічний базис, управлінський облік.

І.Б. САДОВСКАЯ

(Луцкий национальный технический университет, г. Луцк, Украина)

Роль институциональной теории в формировании методологического базиса управленческого учета

Исследованы основы методологического базиса управленческого учета. Для определения методологии управленческого учета автором рассмотрены классические подходы к трактовке ее сущности. Раскрыта роль новой институциональной экономической теории в процессе его формирования. Проведена параллель между традиционными и институциональными подходами относительно становления и развития методологии управленческого учета.

Ключевые слова: институциональная теория, методологический базис, управленческий учет.

I.B. SADOVSKA

(Lutsk National Technical University, Lutsk, Ukraine)

Role of Institutional Theory in Management Accounting Methodological Basis Formation

The methodological basis of management accounting has been studied. In order to determine the management accounting methodologies the author has examined the classical approaches to understanding of its essence. The role of the new institutional economics in the process of its formation is revealed. A parallel between traditional and institutional approaches to the establishment and development of the management accounting methodology is drawn.

Keywords: institutional theory, methodological basis, management accounting.

Defining the problem. Speaking about the classic or traditional approach to the definition of the accounting methodological basis it should be mentioned that, first of all, it means principles for standardized formation of efficient information. The appearance of management accounting as an economic science entails the formation of methodological basis. However, the traditional approach based on the above principles does not cover the management accounting mission aimed at a new economic environment with domination of innovative models, information society and intelligent systems. Institutional economic theory entered into a new phase. Its cognitive potential just begins to make theoretical and methodological basis for different economic disciplines. Despite the significant achievements of native and foreign scientists there are many theoretical and applied issues pointing to ineffectiveness of current accounting system in general. We believe that the main scientific and

practical problem concerns the development of the methodological basis of management accounting as an integrated system that will, at the same time, meet the requirements of intellectual economy and have sufficient level of formalization and consistency. Therefore, this issue requires prompt solving at the appropriate level.

The **purpose of the article** is: providing theoretical grounds for the new institutional economic theory in the course of the management accounting methodological basis formation.

Analysis of recent research and publications. Scientific works by such Ukrainian and Russian scientists as F. Butynets [3], V. Zhuk [7-9], I. Zamula [10], H. Kireytsev [11], A. Nesterenko [20], O. Petruk [22], Ya. Sokolov [28, 29] and others give the broad overview of the institutional approach in the context of the accounting science development.

The traditional or classical approach to the methodological basis formation of management accounting can be noticeable in scientific works by K. Drury [5] and Ukrainian scientists, namely: S. Holov [4], L. Napadovska [19] and M. Pushkar [23]. The key feature of this approach is the cost-based theory. Another approach is the latest theoretical and economic institutional one. It is based on the institutional economic theory. It involves a great number of different schools and concepts, namely, neo-institutional economic theory, property rights economic theory, transactional and interactional costs theory, etc. H. Kireytsev has identified the institutional aspect as 'the new one for the post-socialist countries, and that is why a comprehensive approach to the interpretation of the category "institution" is a considerable precondition for the science-based definition of effective ways for further market transformation focused on the democratic society' [11, p.29].

The urgency of the current research is predetermined by insufficient problem solution for the paradigm formation and methodological basis of management accounting in specific macroeconomic and institutional conditions and also underestimation of the methodology and tools for the new institutional theory in the context of this study.

The investigation results. The word 'methodology' is derived from Greek 'metodos' that means the 'way', the 'manner' and 'logos' that is translated as the 'doctrine'. Methodology as a systematic set of scientific principles for carrying-out research and cognition must be a reasonable evidence of various approaches, a set of standardized and regulated principles forming the specific scientific and theoretical concepts or paradigm of management accounting.

At present scientists show considerable interest to the methodological foundations of managerial accounting system. That is a methodological basis for the format of scientific and empirical disclosure of diverse properties of composition and interrelation of elements of technical, economic and financial-economic processes in performance management reporting.

In order to determine the management accounting methodologies we propose to consider some classical approaches to its essence. In the encyclopedias a methodology is defined as: 1) study about scientific method for knowledge and transformation of the world, its philosophical, theoretical basis; a system of principles for an approach to the objective reality phenomena studying; a set of investigation methods used in any science according to the specificity of knowledge object [30, p. 472]; 2) study about a scientific method for knowledge of the world, its philosophical, theoretical basis, a system of principles for an approach to the objective reality phenomena studying [31, p. 96]; and 3) a set of investigation methods used in science; study of method for knowledge and transformation of reality [32, p. 387]; study about structure, logical organization, methods and means of action [1, p. 164].

It should be noted that nowadays the methodology is one of the key factors of the management accounting

development. This is a starting point and prerequisite for further activity. It represents a broad system of methods, rules and tools, aimed at the phenomenon, methods and mechanisms for its investigation and obtaining a certain result. The main function of the management accounting methodology is to regulate the process of receiving, processing, transmission and storage of information about the feasibility and financial-economic processes and performance of a business for decision-making purposes. Thus, the management accounting methodology has an inherent definition and subject matter. The definition is interpreted as the study focused on methods and ways of understanding its development, on new methods creation and application, techniques and methods for use in practice. The subject is a set of the new methods possible applications and ways of understanding the financial economic processes and business performance as a whole according to the segments and areas of responsibility for decision-making, a system of effective and objective principles aimed at solving the target tasks. The essence of the management accounting methodology is getting the insight into the regularity, risks and significant sides of the object; conditions, methods, rules of method application; conceptual tool which corresponds to the previous two aspects. However, the positivism philosophy should be used with caution in the course of the research as it 'considers only true knowledge with empirical evidence and denies speculation as a means of understanding the world' [14, p.16].

According to the results of numerous case studies, research programs, the findings of leading scientists [4; 11; 12; 19; 28; 29] the modern management accounting methodology should be established as a synthesis of operational and strategic concepts of accounting [24]. In contemporary literature, the opinion about the management accounting creativity is increasingly evolving and the prerequisites of its theoretical development and practical implementation are justified. Though, there is a point of view that '... the line between the creativity and outright fraud is blurred' [15, p. 456]. Based on objective and reasonable factors, some publications provide that 'in up-to-date scientific and practical literature the creative accounting is considered as a method that does not meet any generally accepted practice or established standards and principles' [13, p. 170].

The paradigm of actuarial accounting is considered adequate for conditions of new management accounting methodology. Actuarial accounting is 'a system using a double-entry method which provides information on the business market value changes' [26, p. 32] but it has a new focus on the application of the budgeting method.

The prognostic accounting concepts formation within the management accounting is determined by the fact that its 'methodology and techniques have a number of specific features, because it operates data concerning future events and facts and that stipulates the necessity to take into account the uncertainty factor' [25, p. 52].

The new institutional approach has a number of advantages if we use it owing to the formation of the management accounting methodological basis taking into

account such criteria for reducing uncertainty as creativity, actuarial approach and forecasting. This approach is also used widely in various economic sciences and refers to the doctrine that considers the importance of various institutions, as well as their interactions in the area of decision making. The word 'institutum' comes from Latin and means 'installation', 'device', 'institution'. 'Institutions are the rules of social play or, more precisely, the constraints imposed by people that guide human interaction to a specific channel. As a consequence, they structure the incentives in the process of human exchange, namely, political, social or economic. The institutional change determines the way in which the society develops over time, therefore, this is a key to understanding of the historical change' [21, p. 10]. 'The institutional change is a complex process where the growth of changes may be due to changes in rules, informal constraints, the nature and effectiveness of compliance' [21, p. 15].

Application of this approach in the accounting science development may be explained by several circumstances [27]. First of all, by the fact that the economic theory is a methodological basis of accounting, therefore, any change in priori affects the theory. Secondly, the practice of accounting directly belongs to the field of economic development. It gives the necessary information on economic targets to various institutions and users. Institutionalization of management accounting is achieved due to some important properties like the ability to gather information from the internal environment of a firm and external institutional environment, to accumulate it, to process and to provide it, upon request, for the users (institutions) interested. In addition, the accounting system implemented through such forms as formalized (legislative and normative acts) and non-formalized (habits and procedures that reflect the overall agreement prevailing in society) patterns of interaction. It can vary in accordance with change of requests from various institutions and individual users of information. It is constantly modified and updated. Thus, this is the process of formation, consolidation and improvement of the institutional forms in a managerial accounting system.

G. Hodgson [34], E. Hendrickson and M.F. Van Breda have given the brightest description of these positions: 'Social and economic consequences of different ways of accounting policy formulating and their essence are the subject of current research' [33, p. 139]. According to such an approach we can say that the methodology of management accounting is a systematic set of compromises between social groups. In socio-institutional perception, the subject of management accounting as a science should provide the estimation of the institutional environment impact on choice of approaches and procedures.

V. Zhuk is the first to have proved the application of the economic theory, namely, the theory of institutionalism, in the accounting development. In particular, he has noted that the study of institutional doctrine is justified by its ability to explain the current state and prospects of global and national accounting system development from the perspective of interaction:

the basic socio-economic motives of financial information users, most accountants, legal regulations, organizational forms of accounting and its self-organization [7, p. 26].

V. Zhuk was also the first who termed accounting as a social and economic institution [8, p. 18] designed to meet certain requirements, to eliminate discomfort in society. Institute of Accounting gives a possibility to members of the society to meet the information needs required for decision-making and professional explanations given by both information compilers and independent professionals in accounting. It is also an effective system for reducing uncertainty and decision making risk. Efficient communications between the parties to economic relations at the micro and macro level and economic growth in a system of social relations are impossible without explanation on information systems provided by professional accountants. If the economics does not still recognize a separate institution of accounting, it is mainly the problem of the accounting theory. The information needs are not to be met automatically in spontaneous functioning of the market, namely, by the organized efforts of the economic relations participants, but it the main task to be done by the accountants through the system of institutions which form the Institute of Accounting [8, p. 17]. According to the scientist, '... the accounting can be characterized by the same parameters as one of the top among the institutions that ensure the realization of economic relations' [8, p. 19].

The Institute of Accounting operates at the level of documentary support of the agents' economic activities, the formalized rules are being preferred. Institute of Financial Accounting operates under clearly defined rules formalized in the relevant standards aimed at ensuring the interests of global capital owners. The Institute of Management Accounting based on the principles of positivist philosophy of knowledge has its aim to generate information for efficient management. The specifics of the latter is the use of informal rules that are practically performed implicitly opposed to formal standard rules when accountants are scratching their heads choosing the variants that reflect the business facts in the financial statements for the benefit of the users interested. The explanation is simple. Persons directly taking part in the management processes set informal rules for the management accounting where non-fulfillment of the rules or their poor fulfillment will lead to making wrong decisions promptly resulting in negative performance. Negative results give rise to negative cash flows and hence there are the consequences of insolvency, monetary crisis and bankruptcy. The essence of informal Institute of Management Accounting is to account mentality, traditions, an industry sector, education, presence of informal rules and restrictions, the impact of other institutions.

In scientific and theoretical sense the approaches to the management accounting reform and its methodology development based on institutional economic theory are connected with the development of new scientific concepts. The necessity of the so-called 'major

reconstruction' of management accounting methodology is caused not only by the fact that many achievements of antecessors have been unreasonably forgotten and not developed in the framework of national science over the past decades, but by the fact that '... there has been a change of formation conditions and information presentation' [2, p. 1]. There is a quite reasonable conclusion that "the impact of institutional changes on the company activities brings forward new requirements for capital circulation process modeling both inside the company and in its relationship with the environment. In the up-to-date accounting system, since capitalized costs of institutional character (transaction costs) belongs to the assets, the cognitive purpose of accounts as the catalectic models in which such assets shall be reflected, enhances" [2, p. 14]. This problem is most successfully solved in the framework of management accounting, which has its own tools for complete and multi-target disclosure of information. The Institutional concept development and creating the appropriate theoretical framework for management accounting of capital as property and functions are at the early stage now. This indicates the perspective for further research.

The opinion on the need of capital reconstruction for the management accounting theory is spreading among the scientists today. The goal is to provide adequate susceptibility to modern management system taking into account that '... a reporting paradigm shift should be focused on the transition from mono-target to multi-target reporting resulting from the needs of specific users but is not a result of general accounting principles' [4, p. 325]. The institutional model of managerial accounting in the condition of the institutional environment should be based on the interests of management accounting users and rules of interaction between them [17; 18].

Giving priority to the management accounting system in capital management, in creating an effective owner and efficient manager with a high degree of conscious world perception is somewhat a hope for a positive solving of social and environmental problems worldwide. Financial reporting system does not provide complete adequacy and reliability of information that it generates. That significantly limits the beneficial use of this information. For example, it is quite reasonably noted that 'the international standard developers do not take into account the different contents and methodological filling of such conceptual components of accounting and reporting as the basic concepts, fundamental assumptions, judgments of general nature, restrictions and elements of relevance and reliability, qualitative characteristics of information' [35, p. 14].

The institutions are established by people both for restrictions and empowerment. The main objective of the management accounting methodologies formation is to consider a limiting factor of increasing opportunism that can lead the human community to self-destruction without any limitations. In the institutional theory there is a notion given by James Buchanan and known as 'Buchanan product' where it is defined as a pair consisting of an ordinary commodity and contract packaging, rules and institutions with which this product

is bought. We have to choose not only between different products but also between different institutions. In this case, under the product we understand the information product as the output of management reporting. Based on the idea of transaction costs and the choice of the various options the contract packaging of reporting information looks different. There are no regulatory standard pictures, but there are many ways and none of them leads to perfection. The most unexpected factors can affect at the level of transaction costs. They are not directly related to the systems of rules and conscious decisions of information product producers and consumers. According to the theory of transaction costs all information products can be divided into three classes. They are the studied, pilot, and trusted ones. 'Studied' means that the quality of information is determined in the current usage and got ahead predicted result, in another words, horizontal transactions or contractual appears. It is harder with the pilot information products. Their quality becomes clear and obvious only with experience. Additional examination can be done but these are all the transactions. The trust information products are the most complex. They determine the strategic forecasts and their quality cannot be verified when receiving. If you deal with the trust information products, weighty and complex institutions are required. If the quality of information products is questionable, the institutions that require are: professional self-control, prominent role of regulators that admits to some market players and not let others, and legislation on opening and verifying information.

Conclusion. The brief overview of the given material, allow us to make a conclusion that the management accounting is the science which does have the future. A leading scholar in the field of accounting Ya. Sokolov notes that 'This integrated science will become more fundamental than the law and political economy whose general rules and relationships it is to study' [29]. This definition actualizes the problem of formation of new base for the management accounting methodology taking into account the institutional approaches.

Being familiar with the management accounting object through the prism of formal and informal institutions has its feedback. The Institutions affect the methodology of the management accounting. The theory of management accounting is formed on the above mentioned methods and principles. The theory interference into practice makes adjustments to its unaccounted manifestations of informal institutions that again needs methodology to be reviewed. And this process is endless. The main task of science is to provide the sustainable social and environmental responsible development.

The management accounting methodology within the institutional approach is based on the theory of capital revealing itself in two ways. They are capital- ownership and capital- function, transaction cost theory, theory of creative, actuarial and predictive kinds of accounting.

Grouping out the institutional investor's, owner's and manager's requests in a separate category is caused by the specifics of their institutional requests for the management reporting indicators and by the necessity to

re-orient the research on these requests and appropriate development of the management accounting methodology.

4 References

1. Big Soviet Encyclopedia (in 30 volumes) Ch. yet. A. Prokhorov. - 3rd Ed. - Moscow, "Soviet Encyclopedia", 1974. - T. 16. - 616 p.
2. Borymska K. Accounts: Theory and Practice: Abstract. dis. for PhD: specialty 08. 00.09 - Accounting, Analysis and Audit / K. Borymska. - Zhytomyr State Technological University, 2010. - 21 p.
3. Butynets F. Theory of Accounting or its Foundations. What Future Professionals Explore in Accounting? / F. Butynets, T. Butynets // Problems of Accounting Theory and Methodology, Control, and Analysis. Science works coll. - Vol. 1(22). - 2012. - P. 19-37.
4. Holov S. Accounting in Ukraine: Analysis and Prospects: [monograph] / S. Holov. - K.: MIM, Center for Educational Literature, 2007. - 522 p.
5. Drury C. Introduction to Management and Cost Accounting / C. Drury. - Moscow: Audit, 1994. - 560 p.
6. Zhyhley I. Accounting for Socially Responsible Business Entities: the Need and Development Targets: [monograph] / I. Zhyhley. - Zhytomyr: ZhSTU, 2010. - 496 p.
7. Zhuk V. The Concept of Accounting in the Agricultural Sector: [monograph] / V. Zhuk. - K.: NSC "IAE", 2009. - 648 p.
8. Zhuk V. Scientific Hypothesis for Interpretation of Accounting as Social and Economic Institution / V. Zhuk // Accounting and Finance of AIC. - 2012. - Issue 2. - P. 14-22.
9. Zhuk V. Institutional Requests Genesis for Records under its Reform / V. Zhuk // International Scientific Papers "Theory and Methodology Problems of Accounting, Control and Analysis", 2007. - Issue 3(9). - P. 85 - 93.
10. Zamula I. Environmental Accounting to Ensure Sustainable Economic Development: [monograph] / I. Zamula. - Zhytomir: ZhSTU, 2010. - 440 p.
11. Kyreytsev H. Economy Globalization and Unification of Accounting Methodology: Research Report at 6th International Scientific Conference "Scientific Investigation in Accounting, Control and Analysis: Theoretical and Methodology Significance and Direction for Further Development" Zhytomir, 18-19th October, 2007. - Zhytomir: ZhSTU, 2007. - 68 p.
12. Kireytssev H. Accounting Development: Theory, Profession, Interdisciplinary Communication: [monograph] / H. Kireytssev. - Zhytomir: ZhSTU, 2007. - 236 p.
13. Kuznetsova S. Accounting Systems Modeling for the Needs of Management / S. Kuznetsova // Bulletin KNTEU. Scientific Journal. - 2008. - Issue 5. - P. 167-170.
14. Lowinska L. Assessment in Accounting: [monograph] / L. Lowinska. - K.: KNEU, 2006. - 256 p.
15. Matthews M.R. Theory of Accounting: [tutorial] [translation from English.] / M.R. Mathews, M.H.B. Perera, ed. Ya. Sokolov, I. Smyrnovoy. - Moscow: Audit, UNITY, 1999. - 663 p.
16. Muller G. Accounting: International Perspective / G. Muller, X. Hernon, H. Mysyk. - Moscow: Finance and Statistics, 1996. - 136 p.
17. Nahirska K. Convergence of Managerial and Financial Reporting in Condition of Global Economy / K. Nahirska // Economics. Series "Accounting and Finance". Collected works. Lutsk National Technical University. - Issue 8(29). - Redkol.: ed. prof. Z. Gerasymchuk. - Lutsk, 2011. - 536 p. - P. 326-331.
18. Nahirska K. Scientific Concept of Management Accounting: Systematic Approach to Formation and Development / K. Nahirska // Science works coll. of VNAU. Series of Economics / Editors: G. Kaletnik (Editor). - Vinnitsia: VNAU, 2012. - Issue 1(56). - P. 78-86.
19. Napadovskaya L. Managerial Accounting: Significance and Application in Practice of Domestic Enterprises in Market Conditions / L. Napadovskaya // Accounting and Auditing. - 2009. - Issue 8-9. - P. 78-93.
20. Nesterenko A. Economy and Institutional Theory / Ed. Acad. L. Abalkin. - Moscow: Editorial URSS, 2002. - 416 p.
21. North Douglass Institutes, Institutional Changes and Economy Functioning / transl. from English. A.N. Nesterenko, foreword and scientific. yet. B.Z. Milner. - Moscow: Foundation of Economic Book "Beginning", 1997. - 180 p.
22. Petruk O. Regulation of Accounting in Ukraine: Theory, Methodology, Practice: [monograph] / O. Petruk. - Zhytomyr: ZhSTU, 2006. - 152 p.
23. Pushkar M. Creating Smart Accounting System / M. Pushkar. - Ternopil: Carte-Blanche, 2007. - 152 p.
24. Ryan B. Strategic Accounting for Managers / B. Ryan; transl. from English. V. Mykriukova. - Moscow: Audit, UNITY, 1998. - 616 p.
25. Redchenko K. Concept of Prognostic Accounting Formation / K. Redchenko // Bulletin of Lviv Commercial Academy. - 2009. - Vol. 30. - P. 50-59.
26. Rishar J. Accounting: Theory and Practice / Jacques Richard; transl. from Fr. N. Burova and T. Terenteva, ed. Ya. Sokolov. - Moscow: Finance and Statistics, 2000. - 160 p.
27. Slozko T. Methodological Basis of Accounting: Two Directions for Theoretical Economic Approach / T. Slozko // Market Economy Formation. - 2011. - Issue 25. - P. 494-503.
28. Sokolov Ya. Accounting: from the Origins to our Days: tutorial / Ya. Sokolov. - Moscow: Audit, UNITY, 1996. - 638 p.
29. Sokolov Ya. National Schools of Accounting / Internet resource for accountants [Electronic resource]. - Access mode: <http://www.buh.ru/doument.isp?ID=386/>.
30. Ukrainian Soviet Encyclopedic Dictionary. Vol. 3. - K.: Polus, 1968. - 854 p.
31. Ukrainian Soviet Encyclopedia. Vol. 9. - K.: HRURE, 1962. - 568 p.
32. Ukrainian Soviet Encyclopedic Dictionary: in 3 Vols. Vol. II / Redkol.: A. Kudrytskiy etc. - 2nd ed. - K. Holov. ed. URE, 1987. - 736 p.
33. Hendrickson E.S. Theory of Accounting Accounting [transl from English] / E.S. Hendrickson, M.F. Van Breda, Ed. prof. Ya. Sokolov. - Moscow: Finance and Statistics, 1997. - 576 p.
34. Hodgson G. Economic Theory and Institutes: Modern Manifesto of Institution Economic Theory / G. Hodgson; transl. from English. - Moscow: Delo, 2003. - 464 p.
35. Shyhun M. Development of the Theory and Methodology of Accounting System Modeling: Abstract. dis. for PhD: specialty 08.00.09 - Accounting, Analysis and Audit / M. Shyhun. - State Academy of Statistics, Accounting and Auditing, 2010. - 36 p.