The International Journal of Leadership and Innovative Management (IJLIM)
e-ISSN: 3064-7207 Vol.2 Issue 7|2025

Modern Trends in Management Accounting

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Abstract: The need to establish management accounting as a separate component of the accounting system and its organization became apparent in the 1940s. This was due to the expansion of production costs, increased competition in the global market, and new methods of planning and analyzing production activities. The identification of management accounting as a separate division of accounting and its development as an independent discipline played a key role in the establishment of the International Accounting Standards Committee in 1973. The committee's creation was driven by the historical development of the economy and the internationalization of accounting issues.

After World War II, businesses began to expand beyond the borders of a single country, operating in two or more, leading to an increase in the number of transnational corporations. This, in turn, manifested itself as a process of economic globalization. Economic integration began to create a number of problems in the accounting system.

Table 1.1 STAGES OF DEVELOPMENT OF MANAGEMENT ACCOUNTING

Formation period	Description of the stage
Stage I – 1950	The purpose of management accounting is to determine costs and budgeting, as well as financial control using costing methods.
Stage II – 1965	Attention has been paid to providing information for planning and control in management using decision-making analysis accounting methods and responsible centers.
Stage III – 1985	The focus is on reducing resource waste in business processes using accurate process analysis and cost management methods.
Stage IV – 1995	At this stage, attention focused on creating new value through the efficient use of management resources. Methods for assessing and planning the value of organizational innovations, as well as knowledge capitalization methods, began to be used.

International experience shows that accounting systems at the national and international levels are characterized by the following five indicators:

- the presence and use of developed national accounting standards that provide sufficient information for decision-making at the macro and micro levels;
- a national chart of accounts;

- an organizational structure of accounting at the level of economic entities;
- a variety of methods for determining the final performance of economic entities;
- the purpose of the accounting system is to determine the performance of an enterprise based on a specific indicator or system of indicators.

By the late 1960s, the number of accounting systems differing in these respects exceeded 100. None of these systems was fully consistent with the others, as determined by expert groups convened by the United Nations. This very fact determines the international scope of accounting methods and rules. This led to the need to develop international accounting standards.

Like any process, they have their advantages and disadvantages. The development of international standards has created the basis for addressing the following issues arising from the globalization of accounting:

- standardization of reporting forms and indicators to a certain extent;
- problems accounting for exchange rate changes;
- harmonization of methods and rules for accounting for accounting items for the preparation of financial statements;
- definition of the procedure and principles for preparing financial statements using internationally accepted standards.

Historical developments show that the application of international standards, along with addressing the aforementioned issues, led to other aspects and tasks of accounting remaining neglected by practicing accountants. Recordkeeping and financial reporting based on international standards became a priority, while attention to controlling expenses and revenues by product cost, structural divisions, and individual products diminished. Furthermore, financial indicators in financial statements are presented for the entire enterprise, meaning that the information management needs for divisions, areas, and individual products is missing from the financial statements. Thus, the lack of information for enterprise management became a specific incentive for maintaining separate management accounting. Experience has demonstrated the need to develop a separate accounting system for internal users, i.e., management accounting.

Management accounting is used to prepare accounting data for internal use, organize control over economic operations and production, monitor budget execution and profitability, and ensure the future success of the company. Management accounting rules and methodologies are often complex and sometimes contradictory and controversial. Furthermore, there are differences in opinion and interpretation.

Management accounting, also known as auxiliary or internal accounting, helps address issues related to improving the efficiency of an enterprise. Management accounting is generally not regulated by government agencies or professional organizations.

The purpose of management or analytical accounting is to provide information and analyze it across responsibility centers and areas of activity. As a result, in very large firms and corporations, revenue (margin), expense, and profit accounting is organized across dozens or hundreds of responsibility centers.

By the mid-1970s, a group of American scholars harshly criticized both accounting concepts—classical and managerial. They argued that both approaches required accountants to provide identical information, calculated in the same way. However, the methodology for calculating economic indicators influences their purpose. For example, the same profit estimate can be calculated differently for different purposes and different users. However, the actual profit figure will undoubtedly differ. The same idea applies to income and expense indicators and the valuation of assets and liabilities. In reality, business accounting doesn't generate absolutely accurate data;

only relatively accurate data exists. Under these circumstances, an accountant's work is focused on the needs of specific individuals—information users—and they may provide specific data.

It should also be taken into account that the costs of preparing information should be less than the benefits of using it. The primary goal of accounting is to ensure that a specific user adapts to the situation arising from the information used and is able to choose the most appropriate course of action. At the same time, in accounting, attention is gradually shifting from documents to the interests and behavior of information users. However, the interests of those involved in a company's business activities do not always align and may conflict with one another. For example, the interests of the company's owners do not align with those of its hired managers and direct employees, i.e., the performers. Moreover, the interests of participants within these groups may not coincide. All of this significantly impacts the content of economic information. In such circumstances, accountants may experience significant pressure from various users.

The problem lies in objectively reconciling the diverse interests of various users of economic information, which are often in conflict with one another. The goal of accounting is to optimize business activity by reconciling these diverse interests.

The new economic system based on market relations in our country is leading to qualitative changes in accounting and control, which are viewed as economic management levers. With the emergence of market-oriented enterprises, a new concept—"management accounting"—has entered the economy. The official division of accounting into financial and management accounting was first implemented in the Republic of Uzbekistan in 1995 by the Regulation "On the composition of expenses included in the cost of goods sold and the procedure for generating financial results."

To clarify the essence of management accounting, it's appropriate to turn to the opinions of renowned scholars regarding the interpretation of the concept of "management accounting." According to Russian scholar, Doctor of Economics, and Academician A.D. Sheremet, management accounting is a broader concept than accounting, encompassing planning, control, and analysis [3]. Indeed, accounting data for past periods does not allow a company's manager to form a definitive positive or negative opinion and make a decision. Information obtained by comparing and analyzing accounting data with planned data, as well as identifying the causes of deviations from the plan, is important and sufficient for making specific management decisions.

According to Polish scholar A. Jarugowa, accounting should demonstrate the ability of administratively responsible persons to perform the tasks assigned to them [4]. American scholar B. Needles, in his article "Accounting Principles," published in the journal "Accounting" in 1990, No. 2, specifically noted that the main criterion for management accounting information is its significance for management [2].

According to candidate of economic sciences, associate professor E.Zh. Moydinov: “Managerial accounting is understood as the process of selecting, collecting, registering, summarizing, analyzing and communicating information received from various departments and services of the enterprise to internal users for the purpose of making current and prospective management decisions” [1].

Based on the above opinions, it can be concluded that the primary goal of management accounting is to assist management in making sound decisions. Management's need for diverse information for different purposes, at different times, and in different areas requires that this information be detailed, that is, represent information about the objects of management. In other words, management accounting should provide sufficient information to monitor, control, and manage the efficiency of the various resources allocated to operational activities.

Properly organized management accounting allows you to prioritize a company's activities, plan its future operations, effectively assess emerging opportunities, and monitor the implementation of management decisions. While it's possible to implement management accounting in medium-sized businesses, it should be noted that it can be quite effective in larger enterprises.

At the current stage of development, management accounting addresses the following objectives:

- Providing management with information on the aggregated performance of an organization consisting of several legal entities and structural divisions;
- Reflecting the results of individual areas (types of activity, product groups) regardless of their distribution among the divisions within the organization's structure;
- Analyzing and evaluating the performance of individual responsibility centers (subsidiaries, branches, workshops, departments, etc.);
- Controlling material, financial, and labor costs by organizing accounting by cost center;
- Ensuring rational costing of products;
- Determining the optimal allocation base to ensure the correct distribution of costs among costing objects;
- Identifying current deficiencies and problems in the company's operations;
- Identifying issues that may hinder the company's further business development;
- Collecting statistical data on the company's income and expenses to study the rate of their change;
- Carrying out current and long-term planning and monitoring budget execution;
- Comparing management accounting results with financial accounting data.

Today, management accounting is no longer a secondary part of accounting, focused on studying cost structures and identifying potential cost reductions. It has become an information and analytical tool for organizational management. Consequently, the role and importance of management accounting and analysis in building an organization's internal information system and developing effective operational and strategic decisions is growing.

As the main modern trends in the development of management accounting, we would like to highlight the following:

- the increasing importance of the informational function of management accounting due to the growing need for the integration of various types of information (financial and non-financial, quantitative and qualitative, accounting and non-accounting, planned and actual data);
- the increasing importance of strategic orientation and forecasting in management accounting due to the instability of the business environment;
- the rejection of defining management accounting solely as a component of financial accounting and the adoption of a broader understanding of it, that is, the transition to viewing it as a comprehensive accounting discipline that unites financial, tax, operational, and statistical accounting.

Development in the first area is driven by the fact that, in today's environment, management accounting is increasingly shifting from a control function to an information function. This necessitates the development of new methods for collecting and processing financial information, as well as ensuring the integration of financial information with other types of business information, including information from the external environment. In this regard, expanding accounting information to include non-financial information of business entities, covering issues such as social responsibility, environmental safety, and management quality, is becoming increasingly important. It is increasingly clear that this trend is occurring in conjunction with global sustainable development goals.

The second trend stems from the increased focus on strategic development in companies due to the increasingly competitive marketplace. Currently, the primary strategic objective of

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Available online: https://eminentpublishing.us/index.php/IJLIM

management accounting is to create a business model that improves key company performance indicators. This, in turn, significantly expands the scope and functions of management accounting.

The third direction of management accounting development, namely the transformation of management accounting into a comprehensive accounting system that integrates various accounting information, is inextricably linked with new enterprise development paradigms – business formation based on business modeling and corporate governance.

In support of our opinion, we would like to emphasize that Professor V.T. Chaya of Moscow State University and Associate Professor N.I. Chupakhina of the Stavropol Technological Institute named the following factors influencing the development of the management accounting system:

- Supporting strategic development and planning;
- Making decisions on investment projects, acquiring new businesses, and launching new products;
- Making pricing decisions;
- Providing forecast information and company performance data to meet growing market needs;
- Understanding comparative results for different parts of the business.

Based on the above, these scholars identified the following areas of management accounting:

- strategic management accounting;
- management analysis.

To summarize, management accounting information is widely used in current and strategic matters, such as marketing research, economic analysis, budgeting, forecasting prospects, production volume, systematic cost control, financial justification of labor output, and decision-making on investment projects.

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