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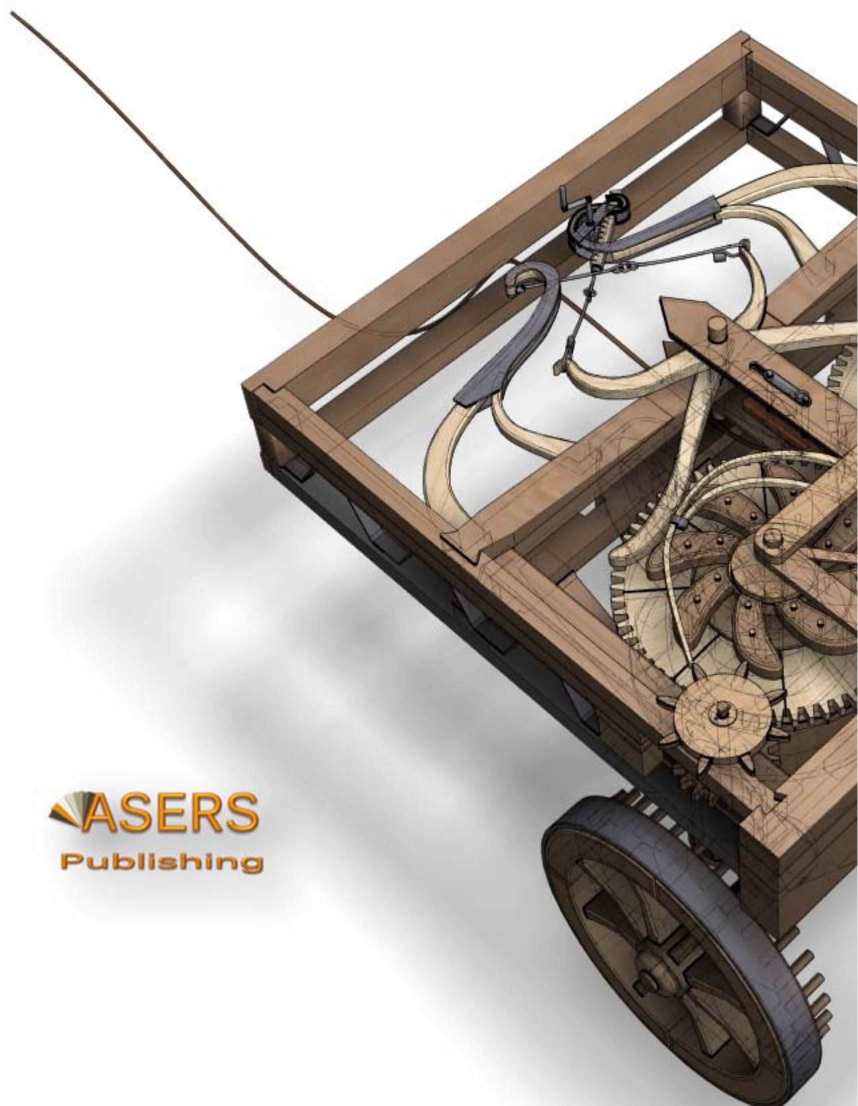

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Table of Contents:

1	**Where is Kenya Being Headed to? Empirical Evidence from the Box-Jenkins Arima Approach** Thabani NYONI	87
2	**William Nassau Senior and the Relationship between Abstinence, Capital and Interest** Alessandro MORSELLI	96
3	**Trade Openness and Industrial Output Growth in Nigeria: Empirical Lessons for Diversification** Peter N. MBA, Anthony ORJI, Donald CHUKWUMAEZE, Onyinye ANTHONY-ORJI	105
4	**Taxation and Welfare: Measuring the Effect of Bulgaria's 2007-08 Corporate-Personal Income Tax Reforms** Aleksandar VASILEV	113
5	**Offline Advertising versus Online Advertising** Cristina Mihaela BARBU, Ștefan PONEA, Cristiana - Luminita BOGDĂNOIU	118
6	**Predicting Disaggregated Tourist Arrivals in Sierra Leone Using ARIMA Model** Emerson Abraham JACKSON, Edmund TAMUKE	132
7	**Traditionalism or Modern in Romanian Management Accounting?** Silvia SIMIONESCU, Elena BICĂ, Cristiana - Luminita BOGDĂNOIU	143
8	**Fiscal Deficit and The Growth of Domestic Output in Nigeria** Joseph Ibrahim ADAMA, Bright Onoriode OHWOFASA, Victor Ahmed AYODELE	150
9	**European Unification and European Integration as a Philosophical Principle** Bogdan GHIDIRMIC, Alexandru MATEI	159

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TRADITIONALISM OR MODERN IN ROMANIAN MANAGEMENT ACCOUNTING?

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Abstract: *The economic competition, which is becoming more and more fierce, imposes efficiency and performance on the economic environment. On the other hand, the rapid evolution of the technologies requires the continuous updating of the competences and of new forms of organization and management of the activity. In this dynamic context, managerial accounting becomes vital because it transforms organizations and exerts an influence on the social, economic and physical environment.*

In a thorough investigation of the problems it is observed that there is a certain perception of the companies, to act and react, to make decisions and to use systems different from the existing models, especially American and Japanese, which are often difficult to describe formalized, but which exists. On the other hand, there are differences between European countries. The management-specific tools are identical but do not apply equally in practice.

Keywords: managerial accounting; cost calculation; sales costs; implementation costs.

JEL Classification: M40; M41.

Introduction

Recent research in the field of managerial accounting reveals a significant evolution of its fundamental concepts. They emphasize the key issues of the activities managed in direct relation with decision making. Cost analysis and calculation, as priority objectives of managerial accounting, are performed in a much broader context, as compared to the traditional way, in the sense that there is a closer connection of these specific activities with the elements related to the organization's strategy. Thus, cost information plays a major role in developing better strategies that give organizations a sustainable competitive advantage (M. Porter 1985).

Taking on Porter's idea, a number of authors, including M. Gervais, P. Lorino, L. Dubrulle, Ch. Hohmann, argue that the new approach in managerial accounting must aim at integrating the production and strategy of an organization.

In the same sense, Bouquin also spoke about the limits of traditional management accounting and also noted the importance of identifying and evaluating the financial consequences of strategic options. Like the followers of strategic cost management, the author situates and analyzes the organization in a larger framework that also includes its relations with its partners, especially with suppliers and customers, an idea also embraced by N. Rostocki. In this context, as a novelty element, the need to calculate some non-existent costs yet, which did not take into account the classical (traditional) management accounting, but also the cost-value couples modeling (Iacob 2006).

1. Current Trends in Management Accounting under the Influence of Socio-Cultural Factors

The problem of changing the economic environment and the adaptation needs of the companies determined the reorientation of the managerial accounting. At the same time, finding that the techniques and practices used by traditional management accounting, applied in the new production conditions, did not lead to the expected results, it is increasingly obvious the need to improve the management accounting system in which the management by costs represents, more rather than the actual measurement and reporting of costs and determining direct involvement in the cost decision making process. The argument is that the costs do not simply happen but are the result of some decisions.

For the purposes of the above, A. Burland and C. Simon, argue the loss of relevance of the traditional cost calculation systems by the existence of a gap between the current model of control and management of a company and the model that was based on the method of the analysis centers, but also by the differences between the way the real cost is composed and the image rendered to it by the management accounting.

In other news, it is noted that the rigorous determination of the production costs, insofar as they fall within the sales price imposed by the market, allows the establishment of the strategy of expanding or decreasing, as the case may be, the manufacture of the product to which it refers. In other words, the market determines the price and the cost determines the profitability (K.V. Mahidhar).

Therefore, in the conditions of the market economy, a new vision on the costs is required, in the sense that the starting point must be the market price and according to it the possibility of adjusting the costs for the decision on the manufacturing situation of the respective product should be considered. Such an operation requires a great deal of accuracy and economics regarding the consumption that affects the cost, which, through the information it offers, becomes decisive for substantiating the decisions that are adopted in order to schedule and control the demanding operations resulting from obtaining and capitalizing the production.

The idea that the market dictates sales prices and not company costs, is the basis of the target costing or target costing method. This method has a logic diametrically opposed to the traditional one, which considers obtaining a product with certain technical features, determining its cost and then adding a profit margin to obtain the sale price. The method we refer to has aroused the interest of many specialists, among them A. Nishimura, P. Lorino, S.L. Ansari and J.E. Bell, who considered it to be a true cultural revolution, in relation to the classical fundamental concepts.

On the other hand, it should be emphasized that in such conditions managerial accounting is indispensable and in this case the realization of an integrated accounting information subsystem, by grouping the information needed for management into a homogeneous whole, imperative to ensure a coherent management, the managerial accounting becoming the purpose, and the calculation a technique of reaching it. This option is quite controversial. While in the Anglo-Saxon countries, which have an accounting monism, they are inclined towards a separation of management accounting from financial accounting, in countries of continental Europe, which have an accounting dualism, there is an interest in integrated accounting, but which it is in the empirical phase and there is no real interest from the decision makers.

Starting from the fact that the process of internationalization of accounting standardization initially manifested itself at regional level, as is the case of the member states of the European Union, in the face of the different practices, norms and laws of different European countries, C. Jacob asks whether or not there is a European culture in the field of accounting and management control?

As long as, from the point of view of accounting standardization, there are important divergences and resistances, often reaching compromises, in the wrong sense of the word, the Europeans are looking, from the point of view of management practices, of the accounting information and management control systems. Trying to discern the Japanese and American skills in management.

A first issue we are discussing is to show that the analysis of differences can be interesting if we refer to the research of the concrete and tangible effects of a European culture, to the literature on management, as well as the less interesting and relevant management practice studying similarities between different countries.

The analysis of differences, whatever their level of practice, or their fundamentals and theoretical currents, helps us to understand what Europe is.

In the context above, we can say that whatever the accounting and management information systems in different European countries, at first glance we are struck by the resemblance between them. If accounting rules and fiscal legislation shape the presentation of accounts and financial aspects and dictate the choice of accounting methods, in a nuanced way, in different countries, the "formal" management accounting information systems are indisputably less similar. Nothing looks like a budget or an analysis of deviations from a budget, made by the British compared to the analysis of deviations performed by French, German, Dutch or Spanish.

Thus, an empirical study conducted in France and the United Kingdom found that the same instruments were used in the two countries: budgetary procedure and budgetary control, accounting in standard costs, calculation and analysis of deviations in relation to the budget, group reporting or branches, procedures for choosing and granting investments, etc. However, there are certain differences between companies regarding the importance given to the planning, reporting or level of delegation, issues that mainly concern the national context, structure, internal organization, or the size of the parent company and its subsidiaries.

In a different context, but illustrating the same idea, we have the opportunity to observe that a heterogeneous set of cases, relatively insipid, does not really outline the characteristics of a European management. These are new, very general and widespread problems - problems of allocating and accounting for indirect costs, implementation of budgetary procedures, reporting problems in parent-subsidiary relationships, etc.

So, can we talk about European management tools? These are common, identical and present instruments throughout Europe. At the same time, if we look closely, closer and closer, we notice that nothing has a European specificity. These are mostly US management practices, sometimes Japanese (for newly introduced methods) and imported into Europe. These tools and practices are the result of the work of a school of officials trained according to the American model.

Therefore, it is difficult to speak of a European culture in terms of management practices. If there are some specific French, German or Italian instruments that can be emphasized, the common body, specific to Europe, is reduced to a few aspects. Researching the current description and the level of the instrument's risks highlighting only the aspects that are not European ones.

As a result, we observe that there are difficulties in studying the similarities between the European countries and which have several factors, two of which are most often encountered:

- the notion of "least common denominator"; it is difficult to capture and describe the smallest common denominator between research practices or trends in German, Italian, French, English, Danish or Spanish management;
- the study of the similarities between countries often goes through a focus of the "formal" aspects of the instruments and systems; In essence, it is extremely delicate to perceive the similarities in the level of social mechanism, informal aspects, use of management control systems. At the same time, the similarities regarding the management tools are not European own; the formal aspects and techniques are related to the temptation of the near universal implantation.

In the face of the difficulties and limitations of studying the similarities between countries and the methods of management in Europe, there arises the interest of a comparative approach to highlight the differences, the second aspect that we discuss.

In a thorough investigation of the problems it is observed that there is a certain perception of the companies, to act and react, to make decisions and to use different systems to the American models that are often difficult to describe, to formalize but that exist. On the other hand, there are differences between European countries. The management-specific tools are identical but do not apply equally in practice.

2. IAS/IFRS - A Possible Integration of Management Accounting into Financial Accounting or a Simple Complementarity?

Since 2005, accounting has been steeped towards globalization. Europe is not alone in facing these challenges. In total, over 100 countries from six continents have complied or converged to the application of IAS/IFRS, both directly and through national accounting regulations aligned to them.

A study conducted on the accounting regulatory factors in Romania highlighted the following aspects (Ionaşcu 2006): the decision to harmonize the accounting in Romania with IFRS standards, although it can be justified by the objective of European integration, was, in fact, a process of implementing the standards international accounting started earlier, under the advice of British experts and at the pressures of international

financial bodies (World Bank and International Monetary Fund) in order to create an attractive business environment for foreign investors; the manner of applying IFRS standards to a large category of entities exposed the Romanian companies to risks related to the large implementation efforts, but, nevertheless, the efforts to adopt the IFRS standards did not adversely affect the performances of the companies.

But the ad literam implementation of IFRS standards, which had to be done from January 1, 2005, for a large number of entities, according to Order no. 1.827 / 2003, it took a "dramatic" turn. This is because in 2005, Order no. 1.752 / 2005 (subsequently amended by Order no. 2.374 / 2007) regarding the approval of the accounting regulations in accordance with the European accounting directives, an order that was to apply from January 1, 2006. According to this order, all entities in Romania, including those that have previously adopted IFRS standards, it must apply the European accounting system. The big change of this order was, at the same time, in the partial disconnection of the tax accounting, so that in the accounting the economic transactions are reflected according to their economic reality and not only according to fiscal reasons. The size criteria, which previously differentiated the entities in the application of a developed or simplified accounting system, are those that now determine whether an entity draws up annual financial statements with five elements (balance sheet, profit and loss account, statement of changes in equity, cash flow statement, annexes) or simplified annual statements, with three elements (balance sheet, profit and loss account, annexes). This has gone from a harmonization of the accounting to a compliance with the European accounting directives.

Order no. 907/2005 (amended by Order no. 001 / 2006 and Order no. 1.121 / 2006) regarding the approval of the categories of legal persons applying the accounting regulations complying with the international financial reporting standards, respectively accounting regulations complying with the European directives, established for the economic entities whose securities at the balance sheet date are admitted to trading on a regulated market and which prepare consolidated financial statements, starting January 1, 2007 to apply IFRS. Other entities considered to be of public interest may apply IFRS standards when preparing individual or consolidated financial statements, for their own information needs. All entities that have the obligation to apply or have opted for the application of IFRS standards must ensure their continued application. In addition, Order no. 907/2005 states that "in relation to the state, all entities, including those applying IFRS standards, prepare annual financial statements in accordance with the European accounting directives".

We find that, in relation to the initial intention of the accounting standardizer, in Romania there has been a restriction of the application of IFRS standards in favor of the European accounting directives. We consider it a positive step, given that the provisions of these directives become legal norms in the accounting law of each EU member country.

Even so, IFRS standards still dominate the European accounting directives, qualitatively, because, in case a series of general rules remain without concrete answers, the accounting regulations take over and integrate a series of resolutions from the general IASB and IFRS standards. The most typical case is the one regarding the definition and recognition of assets, debts, revenues and expenses, but let's not forget the resolutions that appear in the case of particular situations, such as: construction contracts, government subsidies, cost of debt, depreciation of assets, provisions, etc.

In a summary analysis, we conclude that the steps of the internationalization process of accounting standardization are mainly manifested in the field of financial accounting. And yet, if we look at the ten functions of management accounting as outlined by J.M. Clark (1923), we notice that some standards also take into account aspects of management accounting.

If cost determination is an internal problem, covered by business secrecy, there is a tendency to break the opacity of the economic model of the enterprise that is slowly no longer a secret. However, the consolidated financial statements regarding diversified activities can be a real challenge for the analysis: the companies being present in several strategic or business fields, the financial statements aggregate several economic models but which remain individually masked. Accounting rules today tend to force large companies to become more transparent. Thus, the FASB, which elaborates the American accounting rules, has adopted SFAS 14 (subsequently replaced by SFAS 131), which provides financial information on segments, entities that are already subject to such separate follow-up in listed companies. The information, subject to the significance thresholds, must take into account: the turnover, profits, assets and liabilities of the fields of activity in order to delimit the main revenues and clients.

These rules reopen and reduce the complementarity between financial accounting and management accounting. An example of this complementarity is the norm of IAS 18 (revenues from current activities) which provides that the revenues from services must be evaluated according to the method of advancing the works and not the method of finishing them, which implies a very high internal traceability on the works to be performed in

accounting.

Although H. Bouquin (2006) supports the idea of approaching management accounting to financial accounting, we still believe that international IAS/IFRS norms emphasize with sufficient importance the complementarity aspect if we consider that decisions regarding results, processes and entities are based. On information that must meet three major criteria set by Emery (1969):

- an information has value for a manager if it contributes to reducing uncertainty in the future;
- additional information has value if it is likely to affect the decision in question;
- an information has value if it contributes to the sensitive modification of the consequences of a decision.

The results of the managers depend on the decisions they will make regarding the representation of the company. Until now, financial accounting applying the rule of prudence and historical cost, it presented the result of the enterprise and the management accounting analyzed it. The new IFRS accounting rules break this perception, this vision. The financial accounting must present the value of the company and show the changes that have taken place. In this case, the management accounting must analyze the mechanisms for creating or destroying the elements of the value.

3. The Future Accounting Analyst in Romania

If the problem of integrating management accounting into financial accounting is an issue of accounting option, we ask ourselves another question: it is possible an accounting globalization? In our opinion, we can speak of a convergence, an approximation of the accounting theory and practice, but not a conformity, a perfect alignment on a global level. A manager in management is interested in studying the specifics as they are, because he is Romanian, German, Spanish, French, Dutch etc., and is neither American, nor Brazilian, nor Korean.

Therefore, globalization of management accounting will only be possible when cultural differences between European and non-European countries will disappear. This approach involves the transition from the accumulation of intercultural studies to the elaboration of synthetic studies and the following directions of action should be considered:

- lifelong learning, formal and informal, to become an important part of the managerial accounting process;
- the cost, time, quality and services are the foundation of the managerial accounting that will link the strategic visions with the operational performance;
- the accounting and accounting analyst will have to offer a full understanding of the organizational and business processes and will have to implement them properly, because the organizational and business processes are themselves resources that must be managed so as to ensure the provision of value;
- the new guidance for the accounting analyst should focus on processes and their improvement.

It turns out that the future for the accounting analyst is challenging and demanding, while also offering multiple possibilities for those who respond positively to change.

It is clear that in the coming years, the accounting analysts will have to change the way they perceive and carry out their mission. They will have to reach the level of the decision-makers keeping their role of supporter and constructive critic of the manager and the managerial act. Thus, they will have to expand their skills in the field of information management in order to handle non-financial information to give substance to the new definition of performance that is reflected in the Total Quality Management (TQA) and culture of the organization.

Focused on increased attention given to understanding the causes of resource consumption, the managerial accountant will become more interventionist and will be involved both in organizational engineering and in his transformation into an agent of change throughout the production cycle, from identifying strategic intentions to strategic analysis of performance, through change and communication management.

Cost of production or responsibility centered on costs can no longer be the main concern of accounting analysts. The focus of their attention should be on ensuring that absolutely all costs are in line with the strategy being implemented. This means that they must identify and contribute to the management of the causes of all costs.

In order to reach these desires some essential changes and approaches are needed.

First of all, it is necessary to change the mission of the accounting analyst, starting from the fact that his basic missions have not changed much during the last 30 years. Thus, it is appreciated that the field of managerial accounting has undergone few conceptual changes, all the new techniques or instruments with which it operates being considered only permutations of the relation between the relevant costs and motivation.

The second essential problem concerns the definition and correct understanding of the notion of performance and the assurance of an adequate performance management.

According to this approach, the accountant must use his own skills to help create a context in which, before the actions are selected and implemented, they maximize the possible results satisfactorily. The results are not recorded passively, they are created for a purpose. One of the accounting analyst's contributions to such a creation is cost management.

Cost management is not synonymous with cost minimization but is rather the search for that level of costs "appropriate and adequate" to the strategy that managers are considering. Because the processes are built and the costs derive from these choices, the costs can no longer be considered a burden, they result from the manager's decisions. Productivity, market share, production cycle times, quality, flexibility, and many other non-financial criteria provide an implication on the final result long before that outcome can be estimated. In order to be a good cost manager, the accounting analyst must himself resort to managing the factors that cause the costs, and those factors are essentially non-financial. Based on these requirements, the essence of the accounting analyst's work should not continue to be based solely on measurements.

In this context, it is considered important to redefine the mission of the accounting analyst so as to include the whole set of actions and activities called performance management. Obviously, the accountant is by far not the only one involved in carrying out this task, but it can play an essential role in creating the conditions for the performance to appear.

The third approach aims at expressing a clear choice between the single enterprise variant or the network enterprise variant. The second option is increasingly oriented to large companies, proliferating worldwide agreements between producers, as suppliers and their customers.

Accounting analysts will need to explore the causal models that determine costs in the process of providing resources. They will have to determine the ways in which the customers will have to use the product because not only will this affect the user costs but will have an impact on the warranty period and on the manufacturer's after-sales costs.

In such a networked enterprise, the accounting analyst must have an integrated view, encompassing the area between the supplier and the client.

The following realities that businesses and the economy as a whole feel strongly about, namely: the process of globalization, new communication technologies and information technologies, cannot be eliminated from the category of influence factors.

Conclusion

Globalization is a major change in the context in which the accounting analyst operates. Thus, European companies are not only competing against each other; they are in competition, among others, with the American, Japanese, Korean and subsidiaries of these companies that they have opened in the free zones of China and other parts of the world. Accounting analysts need to understand how competitors produce and sell their products and where they remain vulnerable. In these conditions, the accounting analysts must cross the border of competitiveness and thus become competition analysts.

At the same time, it should not be neglected that, developments in the new communication technologies and information technologies open up new possibilities for the accounting analyst. Massive amounts of information can be transmitted almost instantly across the globe at a cost that goes beyond just the postal cost for a simple letter. This technology allows the accounting analyst to achieve in seconds or minutes what he used to achieve in days or months.

It is generally accepted that this transaction accounting would not have been possible if electronic transmission of information had not been available. Accounting analysts need to explore the new possibilities that open up to them.

The object of managerial accounting represents a complex and coherent set of resources held, processes carried out and results obtained within the entity and its components following the allocation and use of the resources controlled by the entity and aimed at their inclusion within the economic optimum.

The information provided by the managerial accounting has a confidential character intended exclusively for a single category of respective users, the managers of the entity as opposed to the information provided by the other component of the financial accounting system that provides information of public character to several categories of users.

The new concept of time and time horizon brings to mind at least three issues that revolutionize the mission of the accounting analyst, namely: Target cost, Life cycle and Discontinuous time.

Target cost management simply reverses the time scale. Instead of limiting the input data of the analyst at the moment "after the product has been manufactured", the philosophy of the target cost extends the scope of work "even before the product was designed".

Managers and engineers create products and processes for markets where the price is set. Instead of determining the price through a cost-plus approach, the manager must completely reverse the equation. Today, the price is given by the market, the profit must be considered as a known one given by the needs imposed by the long-term strategy and, therefore, the target cost is equal to "the sale price minus the profit margin". The manager's role is to design the product and manufacture it to suit the target cost. The role of the accountant is to assist the manager in such tasks, and, this task begins long before the possibility of measuring outputs or of any kind of financial data is available for processing.

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