



**THE ESSENCE AND CURRENT SIGNIFICANCE OF THE ORGANIZATION OF  
MANAGEMENT ACCOUNTING IN BUSINESS ENTITIES**

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**Abstract:**

This article discusses the organization of management accounting in business entities, its application in accounting and significance. The author also developed recommendations for improving management accounting.

**Keywords:** Management accounting, budgeting, planning, income, cost, operating budget, cost and income budget, net profit, analysis, financial reporting.

**Introduction**

Consistent economic reforms are being carried out regarding the economic development of our country and joining the ranks of the world's leading countries. Measures such as ensuring the stability of the banking and financial system, consistent implementation of the budget and tax policy, strict economy in the activities of enterprises are the guarantee of sustainable economic development. In fact, it is possible to sustainably develop industry, agriculture, construction, transport and other sectors through the effective activity of financial and economic bodies. In economic entities, it is important to observe strict economy, to improve the quality of products, and to properly organize activities based on carefully developed plans. This requires proper organization and maintenance of management accounting in every enterprise. Based on the approach to the management of the financial and economic activities of the enterprise, management accounting information plays an important role in planning further activities based on reliable and truthful information. Most of the economic literature has different opinions on the terms of management accounting.

**Analysis of literature on the topic**

When analyzing the economic literature, we can see that the general methodological methods of management accounting are covered.

The concept of management accounting is interpreted differently by researchers. The main contradiction in the definitions is what content is included in it.



**Views on strategic management accounting<sup>1</sup>**

V.F. Paliy	"The essence of management accounting is to provide information that may be necessary or useful for managers in the process of business management...". The author considers management accounting as a system that performs the functions of planning, organization, accounting and control, compensation and incentives, self-evaluation of managers and employees, coordination and information exchange.
T.P. Karpova	"The essence of management accounting is a unified system of cost and income accounting, standardization, planning, control and analysis, systematization of information for quick management decisions and coordination of future development problems of the enterprise". This definition, on the one hand, allows accounting to be understood only as a system of accounting for expenses and income, and on the other hand, as a system of standardization, planning, control, analysis of any information necessary for making management decisions.
M.Z. Pizengolts	"... in a broad sense, management accounting is not only a system of collecting, registering and summarizing information, but also an enterprise management system that combines various subsystems and management methods aimed at improving production and reducing costs .
Ch.T.Xorngren va J.Foster	"Management accounting is the identification, measurement, collection, systematization, analysis, decomposition, interpretation and transmission of information necessary for the management of any objects."
M.A.Baxrushina	"Management accounting is an important element of the enterprise management system, which manifests itself in the system and field of research at the same time, is a connecting chain between the accounting process and management"
Pardaev A.X.	The purpose of management accounting is to provide the head and managers of the enterprise with the necessary information for making scientifically based decisions.

Based on these definitions, we can say that management accounting is the presentation and analysis of management accounting information about the enterprise and its competitors, which is used in the development and monitoring of business strategy.

The creation of management accounting was based on the organization and management of cost accounting, therefore, its main component is production costs for future and past periods in various directions. As part of the management account, data is collected, grouped, identified, and studied for the purpose of fully reflecting the results of the activity of the structural units and determining the level of participation of the economic entity in making profits.

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<sup>1</sup> Prepared by the author



## **Analysis and results**

Management accounting is the practice of identifying, measuring, analyzing, interpreting, and communicating financial information to managers to achieve organizational goals. It differs from accounting because the purpose of management accounting is to help users within a company make informed business decisions.

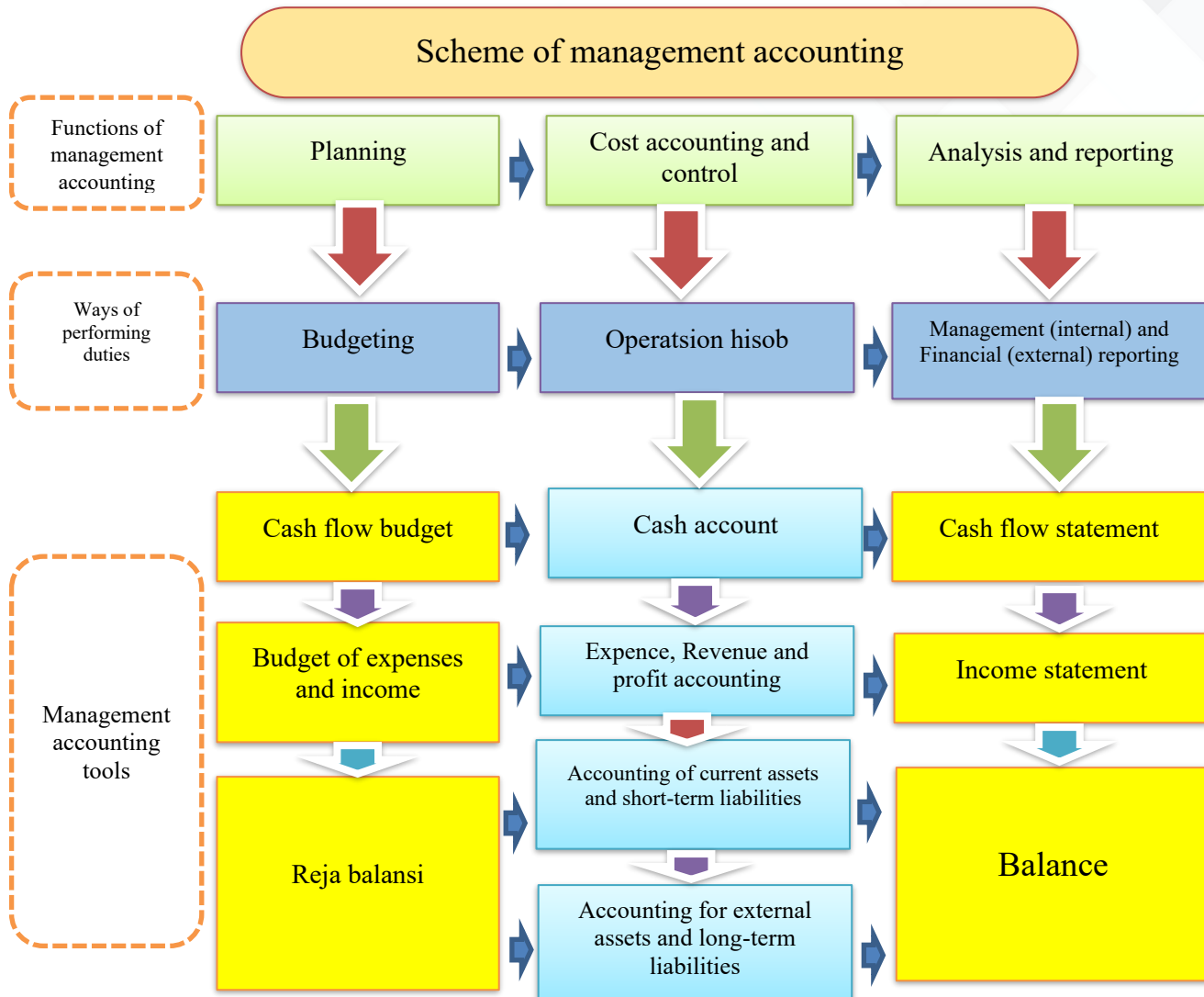
### **The management function helps to find answers to three main questions:**

1. First: "What is the state of the enterprise at the moment, that is, where is its place?" And it describes the current position, which is important for choosing a direction.
2. Second: "What stage will it be in a few years?" And this allows you to find a direction for the future.
3. Third: "What needs to be done to implement the plan?" This is related to the correct implementation of the enterprise policy. In management, strategic planning focuses on the future and helps to lay the groundwork for solving operational issues.

Management accounting encompasses many aspects of accounting that aim to improve the quality of information delivered to management about the dimensions of business management. Management accountants use information related to the cost of goods and services produced by an economic entity and the revenue from sales. Cost accounting is a separate management account aimed at determining the total costs of production of an economic entity by evaluating variable costs at each stage of production, as well as fixed costs. This allows businesses to identify and reduce excess costs and increase revenue.

Because the administrative account is not intended for internal users, it can be modified to meet the needs of the intended users. This can vary significantly depending on the business entity or even the division of the business entity. For example, managers in a manufacturing department may want to view their financial data as a percentage of units produced during the period. An HR manager may be interested in seeing an employee's pay schedule over a period of time. Managerial accounting is able to meet the needs of both departments, providing information in whatever format is most useful for that specific need.

The management account is maintained in relation to the financial account, because the production in the next reporting period is forecasted and determined on the basis of the data of the reporting period. This account contains confidential information. Responsible persons working with this information work with great responsibility. Briefly, management accounting is a system of providing information to the administration.



**Figure 1. Scheme of management accounting<sup>2</sup>**

The management accounting system in enterprises and organizations includes all accounting information and stages provided to the managers of the economic entity. Management accounting is inextricably linked with the process of planning, forming and controlling costs in making effective management decisions. International experts say that the management accounting system provides the information needs of managers in the internal management system of economic entities and organizations. Firms and companies in developed countries spend 90% of their time and resources in the field of accounting on creating and maintaining management accounting, and the remaining 10% on financial accounting. In a highly competitive environment, business entities and organizations can

<sup>2</sup> Prepared by the author



achieve the intended result and operate effectively by establishing a management system, regardless of the specific characteristics of the industry or type of activity.

Management accounting is a component of the information system of an economic entity. The effectiveness of production activity management depends to a large extent on the operative (quick) information obtained about the structural structures, departments and activities of the economic entity. Management accounting forms such information for managers at different levels within a business entity in order to make the right management decisions.

Problems in the theory of management accounting have been studied by many scientific predecessors. The study of management accounting from the point of view of a historical approach should determine the stages of its emergence, distribution conditions, socio-economic, technical, technological and other conditional conditions, development and improvement. The analysis of domestic and foreign specialized literature shows that the historical aspects of management accounting are sufficiently studied in terms of the most modern - industrial (second half of the 19th century) and modern (beginning of the 21st century) periods of development<sup>3</sup>.

Historical experience shows that the basis of its general theoretical concept is the neoclassical economic theory, mainly the philosophy of positivism, as well as the classical and neoclassical schools of scientific management, which must occupy a dominant position in the socio-economic consciousness. Therefore, these conditions are mandatory for the creation of a management account.

It would be a mistake to consider management accounting as something new for the domestic economy. If we look at the history of management accounting in our country, in the 1920s and early 1930s, the tasks of accounting services were much wider than in the later years of Soviet power. The accountant of that time was engaged in accounting, planning and analytical work. With the development of the socialist economic system and the strengthening of centralized planning in the country, the planning and finance departments are gradually separated from the accounting service, and part of the accounting powers are transferred to them. As a result, the activity of the accountant was actually reduced to recording the facts of the economic life of the enterprise.

Most importantly, the basis of management accounting is the collection of information about the costs of organization and calculation. Local practice has deeply developed issues related to calculation. A lot of theoretical and practical experience has been accumulated in the normative method of cost accounting and calculation, similar to the "standard cost" system. Over time, the scope of management accounting tasks has expanded significantly and the current management accounting has appeared.

Effective management accounting in enterprises is affected by the speed of circulation of preliminary and summary documents, accepted forms of internal reports, the periodicity of their compilation and submission periods, and suitability for improving the information system. Management accounting uses all elements of financial accounting methods, such as documentation and inventory, valuation and calculation, accounts and double-entry, balance sheet summarization and reporting. In addition, economic analysis, economic-mathematical and statistical methods are widely used in it.

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<sup>3</sup> B.A.Xasanov, A.A.Xashimov "Boshqaruv hisobi" Texbook. -T. 2013.



Management accounting uses many elements of traditional accounting, operational-technical and statistical accounting and economic analysis. Organization and timely maintenance of management accounting increases production efficiency by allowing for timely adoption of reasonable management decisions, planning, analysis and control of enterprise activities. As a rule, management accounting in enterprises is carried out according to the following types of activities:

- supply and preparation activities;
- production activity;
- financial and commercial activity;
- organizational activity.

Supply-preparation activities in enterprises serve to organize the process of reproduction and ensure its continuity. Therefore, preliminary management information is collected and processed in this area. Production activity plays an important role in the formation of management accounting information. In it, the structure of production costs, the organization of the account of changes by responsibility centers, as well as the maintenance of cost accounting and cost calculations, the calculation of deviations in the costs incurred is carried out.

In the financial and commercial activities, the budget of sales and administrative expenses is prepared according to the economic divisions (segments) of the enterprise and their implementation is monitored.

Organization of management accounting for organizational activities imposes on the managers of individual departments the task of forming information about the volume of expenses and their effectiveness. In this case, preliminary calculations of the production break-even point are made, the relationship between variable and fixed costs and profit is analyzed. Management accounting should not only deal with cost accounting and product cost calculations, but should help the head of the enterprise in making current and prospective management decisions. Currently, the need to work on the theoretical and methodological foundations of management accounting in the economy of our republic is explained by the presence of the following factors:

- according to the experience of developed countries, the division of accounting into financial and management accounting;
- the emergence of the "Standard-cost" accounting system for calculating the cost of products in accounting, managing deviations from actual costs;
- separation of expenses into fixed and variable types, as a result of which there is a need to develop modern systems of cost calculation such as "Direct-costing" in order to make full use of production capacities in enterprises, to effectively distribute expenses;
- the introduction of "break-even point", "marginal income", "production lever" and other new economic terms into the practice of enterprises and to ensure the organic connection between costs, production volume and financial results in economic entities the need to nurture;
- tasking the accounting system of enterprises with the tasks of planning material, labor and financial resources, strategic management of production reserves, formation of appropriate transfer prices, creation of an effective model of cost and income accounting;



- the wide introduction of new computer technologies, information programs in accounting, as well as the existence of the problem of developing the basics of automation of management accounting, etc. Management accounting is designed to solve the internal tasks of enterprises, and this is its "know-how"<sup>4</sup>.

The important tasks of management accounting in economic entities are as follows:

- formation of a source of information necessary for making prospective management decisions regarding the development of the production activity of the enterprise and providing management with them;
- timely delivery of reliable, highly effective information to managers in the rapid management of the financial and economic activities of the enterprise;
- to correctly determine the cost of production of products (work, services), indicate deviations from the established standards and the reasons for their occurrence, etc.

Management accounting information helps to implement operational and strategic tasks of the enterprise.

operational tasks include:

- determination of the product production structure taking into account internal and external factors;
- finding the production break-even point;
- types of products (goods, work, services), planning the appropriate volume of their sale;
- accept or reject additional orders;
- making decisions on the formation of an assessment.

Strategic tasks are intended for the long term and include:

- attraction of long-term capital investments;
- change the business structure;
- development of new types of products.

In the conditions of market relations, management accounting through its tasks is manifested as the main information foundation of management with the internal activity of the enterprise, its strategy and tactics.

The management accounting strategy represents a system of project analysis, forecasting, budgeting, segmental reporting on responsibility centers, establishing reasonable transfer prices, and coordination of management decisions. The tactics of management accounting are the organization of production in the current period, accounting for the calculation of costs and product costs, proof, analysis and control of the decisions made. as well as responsibility for their execution.

Let's consider the main types of strategy in the field of management:

1. Powerful Such a plan is better than others if the company's activities are not fully implemented. There are three subtypes: market penetration, product expansion, and product improvement.
2. Integration. It is used when the company is firmly established in the chosen sector and it can move in different directions.

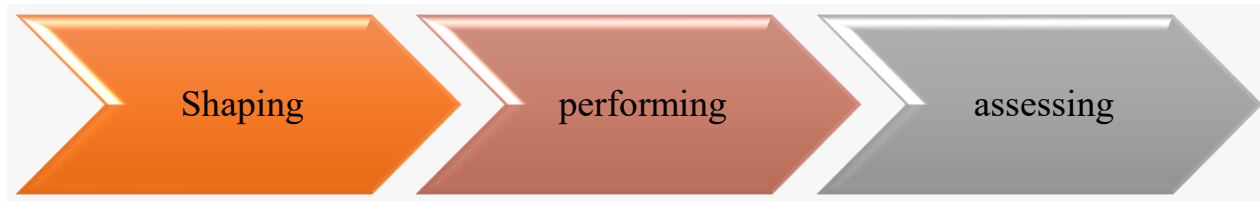
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<sup>4</sup> Pardayev A.X., Pardayeva Z.A. Boshqaruv hisobi: texbook. - T: "Iqtisod-Moliya" 2019., page on -156



3. Diversification. This option is suitable if there is no possibility of expansion in the selected sector or if entering another industry is predetermined for great prospects and profits. There are three subtypes here: adding the same goods, introducing new types of products, and doing things that are not included in the main activity.

We consider the management process in Figure 2 below.



**Figure 2. Management accounting process<sup>5</sup>**

Also, strategic management accounting refers to the provision of information that supports organizational decisions in the long term and has a significant impact on organizational performance, as it provides internal and external information. It is a technique that emphasizes external as well as non-financial and internally generated data. Firms used it as an overview of the challenges arising from the changing competitive and technological environment.

The company's accounting policy plays a very important role in management accounting in enterprises and organizations. Accounting policy is the specific principles, bases, conditions, rules and practices adopted by an enterprise for the preparation and presentation of financial statements<sup>6</sup>.

#### Conclusions and suggestions

Management accounting is not carried out or is not well developed in many economic entities. Many of its elements are included in general accounting (production cost accounting and product costing), operational accounting (operational reporting), economic analysis (product cost analysis, evaluation of planned tasks, etc.).

The essence of management accounting is interpreted differently not only in practice, but also by theorists. Sometimes its essence is interpreted very wrongly and abbreviated, and sometimes it is viewed as a part of the calculation of production costs. In order to eliminate such situations and clearly define their essence, the views of scientists and schools were analyzed, grouped, and opinions were summarized.

1. In order to clarify the nature of management accounting, its similarities and differences with financial accounting were shown. The existing views on management accounting were critically studied, and based on the conclusions, a new definition was proposed:

"The management accounting system of an economic entity is the identification, measurement, collection, analysis, preparation, interpretation, delivery and reception of information about the costs and results of economic activities in an integrated accounting system. On the other hand, it is the

<sup>5</sup> Prepared by the author

<sup>6</sup> No. 1 - National Accounting Standard of the Republic of Uzbekistan entitled "Accounting Policy and Financial Reporting".



organization, standardization, planning, control and analysis of internal users in order to form a sufficient information base for operational and strategic management of the business entity and its structural departments in problematic situations.

2. All activities and technologies in the organization and management of management accounting in a business entity were classified based on the principle of organization and management of management accounting, and in this regard, the essence and role of management accounting is presented in Figure 1.

Since management accounting is a systematic information supply of management, planning and control processes at various levels: from strategy to operational budget, the factors influencing its organization were identified and put into a single system.

It was considered appropriate to define two main aspects of management accounting, i.e., approach to the user of information and operational presentation of information, and it was determined that the management accounting system is organized in different ways that take into account these features in various economic entities. . Criteria have been developed that distinguish management accounting data from other economic data.

3. Positive experiences regarding the organization of management accounting in economic entities, the views of different schools were summarized, the stages of the organization of an effective management accounting system were proposed for the first time, the tasks to be performed at each stage were determined, and the implementation of these tasks was carried out. It was shown how it will affect the operating entity.

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