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## METHODOLOGY AND MECHANISM OF MANAGEMENT ACCOUNTING AT THE ENTERPRISE

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### ABSTRACT

*This article reveals the main problems that arise in the process of organizing a mechanism for maintaining management accounting at an enterprise, as well as developing methods and solving problems that arise when making management decisions. The article revealed the tasks of management accounting depending on the enterprise. The effectiveness of management accounting has been found and disclosed. The article describes the principles, methods and ways of the mechanism for maintaining management accounting at an enterprise. In the process of writing this article, the process of setting up a management accounting system at an enterprise was revealed in detail.*

**KEYWORDS:** *Management Accounting At An Enterprise, Methodology For Maintaining Management Accounting, Mechanism For Maintaining Management Accounting, Goals, Objectives, Method And Ways To Effectively Conduct Management Accounting, The Process Of Establishing A Management Accounting System.*

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### INTRODUCTION

*Management accounting* is the process of collecting, processing, distributing, and analyzing information about an organization's activities. With it, you can anticipate and reduce business risks, make optimal management decisions, and increase business efficiency.

#### **In practice, there are several forms of management accounting:**

1. *Production*-is the basis for business management accounting. It calculates the cost of manufactured products, taking into account production costs.
  2. *Margin*-used to optimize the volume of goods produced, costs and prices to increase profits. Based on management accounting, you can draw conclusions about the relationship between profit and production (sales) volumes;
  3. *Budget*-allows you to determine responsibility for the financial condition of the enterprise by implementing a budgeting system.
  4. *Strategic* — used to provide the business with all the funds and resources necessary for its potential development.
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For effective management decision-making, the company's management should provide up - to-date information about the company's income and expenses, the state of sources of financing, and the amount of accounts receivable and payable every day, and a monthly report should be provided within a maximum of three days of the next month.

The advantage of a management accounting system is its flexibility. From practical tools and methods of management accounting, each enterprise can choose the most relevant ones that take into account the specifics of its economic activity to the greatest extent.

### **Working with management accounting will allow you to:**

- Correctly define and formulate business goals and objectives.
- Forecast results and profit.
- Have an accurate understanding of the current financial position of the organization;
- Track inventory of goods in the warehouse.
- Effectively plan payments and other financial transactions.
- Avoid cash gaps.
- Discover hidden business reserves and revenue growth points.

### **The following tools are suitable for this task:**

1. timely provision of all necessary information;
2. analysis of information, forecasting, regular monitoring of economic indicators;
3. formation of an optimal development strategy;
4. efficient allocation of available resources;
5. search for hidden reserves.

### ***Management accounting tasks depend on the specific enterprise and are maintained for the following purposes:***

1. Present the corporate structure of the enterprise and clearly understand the relationships between all individual elements;
2. Analyze the state of business capital and its individual forms (monetary, material, labor) in dynamics;
3. Rationing of business costs and revenues;
4. Determination of margin profit and different types of cost of goods and services;
5. Building strategies (financial, marketing, etc.) and monitoring each stage in achieving goals;
6. Competent distribution of responsibility centers<sup>1</sup>.

### ***The effectiveness of management accounting depends on compliance with the following key requirements:***

- ***Completeness of information.*** To get an objective picture of the state of affairs, you need comprehensive data about the object of the enterprise. If the accounting statements are not

sufficient, you need to additionally use other documents: acts, contracts, and personnel accounting information.

- **Conciseness.** You need to separate the necessary data from unnecessary details and focus on useful data.

- **Relevance.** Decisions should be based on the current situation, regularly update information, and get timely information about key operations and events in the business.

- **Reliability.** For effective forecasting and real analysis, only actual data and accurate figures are important.

If you keep records according to these standards, you will be able to follow ***the key principles of management accounting:***

-**Communication** — communication and accessible exchange of information between employees/departments at all levels of the enterprise structure;

- **Relevance** — compliance of information with real business needs;

- **Analysis** — competent interpretation of the obtained information, construction of reliable forecasts and the ability to compare them with specific management decisions;

- **Confidentiality** — trust in private data and reliable protection of information intended for a narrow circle of employees.

***The following methods are used for management accounting:***

**1. Process-free.** The analysis is carried out for homogeneous processes over a certain period. This method is more often used when creating the same type of product or continuous production. Expenses are determined by the goods produced in the accounting period.

**2. Post-division** is the division and accounting of expenses first by division, and then by individual units of goods. Calculations are carried out at the cost of semi-finished products. The method is often used in chemical production.

**3. Custom-made.** A special feature of this method of management accounting is the distribution of costs for specific product orders. The analysis is also carried out based on how many resources are available for a single product series or order.

**4. Normative.** For each unit of goods, set the cost rates. After that, the actual costs are compared with the standard ones and the cost overruns and savings are determined. Based on the results, they analyze the factors that led to the results, adjust production within the budget and standards.

**5. Inventory and index type.** With this method, expenses are analyzed based on inventory results and work-in-progress balances for a specific accounting period.

**6. Direct-costing.** The cost of goods and services is calculated on the basis of variable expenses, and fixed expenses are attributed to the total amount.

***The organization of implementation of the management accounting system at the enterprise can be built in the following ways:***

- Based on the use of internal forces and personnel of the enterprise;

- With the involvement of new specialists qualified in the field of management accounting, personnel to work on a permanent basis;
- With the involvement of third-party specialists on the basis of outsourcing.

The process of developing and implementing a management accounting system by an enterprise today, as a rule, is headed by a financial director or chief accountant, and various functions of maintaining management accounting and providing management with appropriate reporting are assigned to economists of structural divisions of the enterprise.

However, delegating the functions of setting up and maintaining a management accounting system to the Chief accountant will be a distortion of his true duties and powers.

An attempt to create a new department or group of newly hired employees in order to conduct the implementation process in parallel with the old principles, and then quickly switch to the new system, may also not be very successful.

The optimal solution for effective development and implementation of management accounting at the enterprise is to create a working group, the head of which will be no lower in status than the chief accountant. After implementation, this working group may grow into a specialized unit, such as the Management accounting department.

In modern times, there are many consulting organizations specializing in the implementation of management accounting systems.

***In the process of setting up management accounting in an organization, it is necessary to solve the following tasks:***

- Identification of functional areas in which the management accounting system is supposed to be built;
- Identification of elements of the existing internal accounting in the organization within the framework of the selected functional areas and assessment of their adequacy to the actual economic processes, information needs of the enterprise management system;
- Development of the concept of management accounting in the organization and the action plan for its construction;
- Development of the structure of managers' areas of responsibility;
- Determination of the main elements of the management accounting system and their regulation;
- Implementation of the management accounting system in the organization and consulting support of the implementation process<sup>2</sup>.

### **The process of setting up a management accounting system**

#### ***Stage I. Analysis of the current management system***

During this stage, the current organizational structure is diagnosed, a management accounting and budgeting system is implemented, a mock-up of the future accounting and budgeting system is created together with the client, and a work schedule is drawn up. Having a joint plan for implementing the management plan and budgeting will reduce the time and financial costs of the project by mobilizing external and internal resources of the company, and the company's management will gain control over the development and implementation process.

***Stage II. Description of the company's business processes***

During the stage, the main business processes of accounting and budgeting, document flow, information relations of the client company are formalized in graphical form, and a plan for possible changes in business processes is prepared together with the client in order to optimize the enterprise's activities.

***Stage III. Development of methods of management accounting at the enterprise, preparation of technical specifications***

***Stage IV. System automation***

During this stage, the program code is written. This work is carried out on the platform selected during the tender.

***Stage V. Implementing the system***

The lack of a clear organizational structure in enterprises makes it difficult to develop a management accounting system. Since the correct allocation of responsibility centers and cost centers within the enterprise is the basis for creating a management accounting system, preliminary consideration and improvement of the organizational structure of the enterprise is simply necessary in order to avoid returning to this problem at further stages of implementation.

The problem is the lack of qualified and experienced personnel specializing in management accounting, the lack of standardization and methodological basis for compiling and maintaining management reports.

When developing a methodology for implementing a management accounting system at an enterprise, you should pay attention to cost accounting methods and management reporting requirements.

The creation of a management accounting system at an enterprise is impossible without the correct classification of processes and technologies, which will allow developing the correct methodology for cost accounting, evaluating the results of the division's activities, and simply determining the appropriate reporting of the division as a basis for making management decisions.

With the introduction of management accounting, new requirements for the document management system appear. Management methods based on the analysis of paper reports, the technique of collecting and presenting information for managers, and the decision-making process itself, based on the fact that all the necessary information is obtained from several dozen reporting forms, have come into conflict with a rapidly changing market, sharply increased competition and increased customer demands. Using management accounting allows you to analyze data in the most detailed way, provided that it is properly organized. It may be necessary to integrate or break down individual reporting forms, introduce additional accounting registers, and increase the degree of systematization and concentration of information.

In addition, the division of information into departments with appropriate access regulations leads to a number of difficulties that are incompatible with the management accounting system. Non-standard information cannot be obtained quickly: information flows within the firm are planned in advance, reporting deadlines are regulated, and the need for any non-standard and fast solution immediately faces the inflexibility of the information access mechanism.

The use of computer technologies and software for operational work with information also carries some problems that manifest themselves when implementing a management accounting system at an enterprise.

Sometimes it turns out that, having solved all the organizational problems of implementing a system, specialists are simply not able to combine the data required for analysis, since they are located in repositories, databases, spreadsheets, and archives that have different levels of capabilities and compatibility with each other. This makes the data aggregation process extremely slow and sometimes impossible, and the outdated software used does not allow us to solve the analytical tasks facing the management accounting system. Here, the most correct approach is to switch to a single computer system that allows you to quickly work with all the information available in the enterprise.

The desire to establish managerial accounting usually arises for specific managers in connection with the loss of manageability, which, as a rule, is not treated with simple medications. At the same time, the underlying cause of the problems that these managers want to solve by setting up management accounting is precisely the lack of desire to change the position and level of knowledge about the subject.

The procedure of extra-management accounting (based on the experience of specialists) lasts at least six months, and if the company is large (for example, a holding company) - at least a year. The cost of creating a methodology and regulations with the help of consultants depends on the size of the enterprise and the number of responsibility centers<sup>3</sup>.

## CONCLUSIONS

Based on the studies conducted, it can be concluded that, having considered the trends in the development of management systems and methods and mastered the theory and practice of using domestic methods of accounting, analysis, planning and control, it is necessary to understand what problems entrepreneurs actually face. At the same time, the existing experience and the richest potential of the national accounting and analytical school should be used as much as possible. The management accounting system should complement the management system, and this should be understood and accepted by all senior managers of the enterprise.

**Materials and Methods.** To understand and study management accounting, namely, the mechanism and methodology of management accounting, it is necessary to deeply understand its content. In the field of studying management accounting of organizations, research was conducted by scientists such as A. Upchurch, A. Karpov, V. E. Kerimov, L. K. Nikandrova, Eddy, McLeany and others. In turn, they gave definitions and expressed their views and opinions regarding the concept of management accounting, as well as the methodology and mechanism of management accounting at the enterprise.

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