

Management Accounting Development Prospects in Uzbekistan

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Abstract:

Management accounting is a wide enough area of book keeping and includes all kinds of the accounting information required for enterprise management. In order to define how and in what direction the management accounting is developed, what problems exist in its perfection and development, it is important to pay attention towards practice of the Western Europe, USA, Japan and other countries where the management accounting is the most developed direction of economy. It is also reasonable to take into account the historical data on appearance and development of the management accounting as a separate system of account.

Key words: Internal audit standards, management accounting, system, companies in Uzbekistan, accountancy policy.

Introduction

In spite of some mentioning about the management accounting at the beginning of the 20th century, the «Management accounting» term has arisen not long ago (at the 1950-1960th of the 20th century) in the developed countries. This system basically has been directed to perfection of the production records calculation.

Finally the professional sphere was generated in 1972 in the USA when the American Association of Accountants has developed and approved the standard of professional examinations on management accounting (CMA - Certificate of Management Accounting) and also organization was initiated, engaged with administration of the CMA program (IMA - Institute of Management Accounting). In 1996 the IMA engaged with certification is renamed into Institute of Certified Management Accountants (ICMA).

The «Management accounting» term has come to Uzbekistan much later, in the middle of the 90th years of the last century. At this time there were first textbooks of foreign authors-economists.

Certainly, it would be a mistake to say that in our country there was not such direction account at all. Some functions of the management accounting, such as calculation, planning, rationing, were widely used at domestic enterprises. However, unfortunately, the most part of this information met only requirements of a narrow circle of users and basically had control character.

Therefore recently and the domestic companies there has been a big interest to such comparatively new direction in economy as the management accounting. It is more likely observed in the large scale companies and the enterprises where the heads understand the essence and necessity of the management accounting. But there is a problem concerning insufficient information of the heads and managers about such kind of accounting, they do not understand for what it is intended, wherein its essence, who should conduct the management accounting at the enterprise, what methods of the management accounting exist and how to use them. For nowadays these questions are the most actual for many companies of Uzbekistan.

Certainly, we should understand that even introduction of methods of the management accounting traditional system can take more than one year. Therefore, for successful introduction of the management accounting system it is necessary to define, what problems exist and how more operatively and effectively they can be solved.

Management Accounting is a rather new term and concept which began to be used in Uzbekistan, though in the western countries this kind of account has a huge value in company management, and the experts

possessing knowledge in this direction are staff workers of high quality. Management Accounting in developed foreign countries has been come into being as a separate and complete branch of account.

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Literature Review

Internal audit issues have been a hot topic among business rounds and academia since 1970s. Researchers and scientists studied several aspects of internal auditing with wider focus on efficiency, relevance, globalization and organizational features. However, only a few academic studies have studied the internal audit standards and even fewer have dealt with the issue of adaptability and benchmarking of cross-border internal audit procedures. In 1980 Glazer and Jaenike found that audit performance according to internal auditing standards contributes significantly to the effectiveness of auditing. Ridley and D'Silva (1997) found in the UK that complying with professional standards is the most important contributor to added value of internal audit. In 2008 Institute of Internal Audit (IIA) published new internal audit standards and extended the scope of work by including attribute, performance and implementation measures. These standards require auditors to conduct auditing in compliance with accepted criteria for professional practice as internal audit activity evaluates and contributes to the improvement of risk management, control and governance using a systematic and disciplined approach. Aaron and Sayag (2010) concluded that compliance with formal standards, as well as a high level of efficiency in the audit's planning and execution – improves the audit's effectiveness.

Report main part Management Accounting development history

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For rather short time the management accounting system has extended through the countries of Europe, Japan, Canada and other countries. For nowadays in economically developed countries for statement and conducting the management accounting about 90 % of labor time and other resources in the general expenses for statement and conducting the bookkeeping is spent, and the experts in sphere of the management accounting are considered as the most demanded and valuable staff.

Recently a lot of works concerning the management accounting development outlook are published. For example, such publications of authors-economists like K.Drury, Hongren, Cooper&Kaplan, Kaplan&Norton, J.Foster, and also researches of organizations specializing in the field of the management accounting, for example, European Accounting Association, CIMA (The Chartered Institute of Management Accountants).

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Management Accounting essence

To sort out such wide frame, in our opinion, first of all it is necessary to define what the modern system of the management accounting is. Developing this idea, let's pay attention to the definition of the management accounting resulted in the Statement on the management accounting (SMA).

The Management accounting is a process of identification, measurement, accumulation, preparation, interpretation and submitting of the financial information used by management in planning, estimation and management in the organization for maintenance of optimum employment of resources of enterprise and completeness of their account. The management accounting also includes preparation of financial reports for non-administrative groups of external users (shareholders, creditors, regulating bodies and tax inspections). Thus, it is possible to draw a conclusion, that the sphere of the management accounting is much wider than sphere of the financial accounting.

In the next SMA conceptual definition it is reflected, that management accountants realize the purposes and tasks of the management accounting involved into the process of activities of such functions as control, exchequer, financial analysis, planning and budgeting, expenses accounting, internal audit, control system and general bookkeeping. Thus, the term of management accountant is used in this Statement in its widest sense and the management accounting is not an appendage of the accountant. Anyhow, such system and process should involve such different employees like financial director, internal auditor, treasurer, planning analyst, expenses analyst, bookkeeper and other managers.

Management Accounting basic functions and methods

Thus, it is possible to make a conclusion, that Management Accounting is a whole system that has the following basic purposes or functions:

- Expenses efficient control
- Enterprise activity planning and control;
- Necessary information submitting to managers for reasoned and correct decisions making in sphere of production management and company prospect.

Each function or direction of Management Accounting includes certain receptions methods or technique. The most important of them are considered in the table 1 below.

Management Accounting development prospects in Uzbekistan

Certainly, we should understand that even introduction of methods of the management accounting traditional system can take more than one year. Therefore, for successful introduction of the management accounting system it is necessary to define, what problems exist and how more operatively and effectively they can be solved.

Let's try to structure and sort out the tasks and sequence of their decision while introduction of the management accounting into the companies of Uzbekistan.

The following items are main for the concept of the management accounting introduction and development:

- Understanding by heads and managers of the purposes and essence of the management accounting
- Having a clear view of the point, that the management accounting introduction and conducting process is a prerogative of a plenty of experts, from financial director up to the accountant assistant

- Preparation of the qualified experts having skills of introduction and conducting of the management accounting at the enterprises
- Defining of the key purposes and tasks, development of the activity strategy that stipulates business abilities and feature of the company activity
- Development of the specified forms of the management reporting reflecting completed, at the same time necessary information for decision making
- Development of computer programs relating the management accounting which would consider the activity features, key purposes and tasks of the company.

Conclusion

In the abstract we have tried to consider essence of Management Accounting, history of its appearance and development, basic functions and methods of this kind of account. The abstract contains importance of introduction and development of Management Accounting system into Uzbekistan companies, and also basic items of introduction and development concept.

The Company can have modern technology, attract investments and credits, fabricate a wide assortment of production, but if it inefficiently uses technologies, does not direct the investment and credits to profitable business, does not study each kind of production from such points of view like expenses, profitability, demand, does not deal with innovations, improvement of quality, then it is doubtful that the company will have a success and can operate in the conditions of global market with a hard competition. In modern conditions, when technologies and innovations are promptly developed, the customer demand often varies, the cycle life of many products decreases, and it's difficult to stay on the market. The managers' role in company development is great, they make thousand decisions defining the company future. Creation of flexible price policy, staff and experts training, attraction of qualified employees, correct cost and profit formation, fabricating of the most profitable production, perfection of an available product or introduction of a new one, advertising, marketing - all these matters are interested by officials, managers, especially Management Accounting should provide managers with information which is necessary to make more reasoned decision, to operate, to plan and to supervise, and therefore to improve efficiency, profitability and productivity of the company.

The abstract considers that introducing the management accounting system into Uzbekistan it would be correct to pay attention to international experience. Actually in many developed countries many problems connected with introduction of the management accounting into the companies activity are already successfully solved and the management accounting was already generated into the complex enough area of the accounting which continues to develop intensively.

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