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## REPRESENTING MANAGERIAL ACCOUNTING AS AN EFFECTIVE APPROACH TO MANAGE AN ORGANIZATION

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## ПРЕДСТАВЛЕННЯ УПРАВЛІНСЬКОГО ОБЛІКУ ЯК ЕФЕКТИВНОГО МЕТОДУ ДЛЯ УПРАВЛІННЯ ПІДПРИЄМСТВОМ

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**Abstract.** In the article, it has been described how the connecting main objectives and purposes of managerial accounting and analysis of functions that facilitate guiding managers process and obtained results from that can lead to successful outcomes by organizations. This paper aims to represent managerial accounting as an effective approach to guide managers properly in investment decision making process. To reach this aim, the main tasks have been done: conduct the analysis of the main techniques and tools of managerial accounting to identify their areas of practical usage; provide short description and financial analysis of manufacturing organization (Apple Incorporation) to identify practical usage of the managerial accounting techniques; show implication of one of the managerial accounting techniques (capital budgeting) that can facilitates manager decisions making in investment process; provide recommendations of applying managerial accounting techniques towards effective management. Furthermore, managerial accounting can be used to guide managers effectively and help managers make operational decisions, hence facilitate managers work. International and domestic enterprises require knowledge, experience, support and well prepared efficient and effective approaches for reduction operating, production, administrative and other costs and increasing firms' profitability within sustainable, ecological, and social program underway. Therefore, the authors of the article set and then solved such tasks as: conducting an analysis of the main techniques and tools of management accounting in order to determine the areas of their practical use, and showing how to apply one of the techniques of management accounting (capital budgeting) to facilitate management decision-making in the investment process for the Apple Incorporation, and providing recommendations for improvement of applying management accounting methods for effective management at the enterprise.

**Keywords:** managerial accounting, investing activities, enterprises, decision making, effective management of enterprises.

**Formulas:** 0; **fig.:** 0; **tabl.:** 1; **bibl.:** 11

**Анотація.** В статті описано як поєднання основних цілей і цілей управлінського обліку з аналізом функцій, які полегшують процес керування підприємствами, може призвести до отримання успішних результатів в практичній діяльності організаціями. Ця стаття має на меті представити управлінський облік як ефективний підхід до правильного спрямування менеджерів у процесі прийняття інвестиційних рішень. Для досягнення поставленої мети було вирішено основні завдання: провести аналіз основних методик та інструментів управлінського обліку з метою визначення сфер їх практичного використання; надати короткий опис та фінансовий аналіз виробничої організації (Apple Incorporation) для виявлення практичного використання методів управлінського обліку; показати застосування однієї з технік управлінського обліку (бюджетування капіталу), яка може полегшити прийняття управлінських рішень в інвестиційному процесі; надати рекомендації щодо застосування методів управлінського обліку для ефективного управління. Оскільки управлінський облік можна використовувати для ефективного керівництва менеджерами та допомоги менеджерам у прийнятті операційних рішень, а отже, полегшення роботи менеджерів. Міжнародні та національні підприємства потребують знань, досвіду, підтримки та добре підготовлених дієвих підходів для скорочення операційних, виробничих, адміністративних та інших витрат для підвищення прибутковості підприємств у рамках сталої, екологічної та соціальної програм, що діють. Тому автори статті спочатку поставили, а потім вирішили такі

задачі, як проведення аналізу основних прийомів та інструментів управлінського обліку з метою визначення сфер їх практичного використання та застосовано одну із технік управлінського обліку (бюджетування капіталу) для полегшення прийняття управлінських рішень в інвестиційному процесі для Apple Incorporation, після чого було надано рекомендації щодо покращення застосування методів управлінського обліку для ефективного управління на підприємстві.

**Ключові слова:** управлінський облік, інвестиційна діяльність, підприємства, прийняття рішень, ефективне управління підприємств.

**Формули: 0; рис.: 0; табл.: 1; бібл.: 11**

**Introduction.** Many scientists and practitioners [1-7] agree that managerial accounting is an effective approach to guide managers. They stressed the importance for enterprises to embrace managerial accounting theory towards boosting organizational performance.

The analysis of the most used techniques and tools of managerial accounting with contextual information regarding the business can help managers in decision-making process and reduce the cost of this process. Techniques of managerial accounting are applicable in an organization to help in devising planning, supporting decisions of management, and performance of a management system and provide management assistant to formulate and interpret organizational strategies to increase their profitability. Currently, managerial accounting techniques are used in different areas and support management decisions to enhance chances for a high rate of return in the future. This has been stated in the article by authors.

All these together state the importance of managerial accounting to effective management process, furthermore, there remains an emergent interest in understanding the topic and further implementing it.

**Literature review.** The important role of the managerial accounting driving organizational performance has been recapped in our literature review. For example, Alamri A.M. (2019) believes that organizations must embrace strategic management accounting practices that would enable them to understand the market, their competitors, and the customers, hence leverage the intelligence from that knowledge to organize their operations towards profitable satisfaction their customers. To do that effectively, organizations must avoid the mistake of focusing only on the internal issues; rather, their efforts must be tailored towards

embracing strategic management accounting practices that would enable them to be fully informed of the market trends, customer dynamics and competitor trends. Thus, organizations must ensure that good costing, planning, control, and performance measurement; strategic decision making, customer accounting and competitor accounting measures are embraced to enable them to compete effectively. Within the goal of enhancing the literature on how to optimize the performance impact, many gaps still exist and require additional explanations. Such as how to eliminate differences in marketing and national culture acceptance, usage, contingencies, and performance impact.

Aymen A. (2020) mentioned that that managerial accounting applications lead to increased sustainability, which are social benefits. Therefore, management accounting applications will have a special impact on the results of the manufacturing process, including sustainable manufacturing. Consequently, this can affect the dynamic processes of environmental sustainability, which in turn affects the environmental, social, and economic performance of a company. Also, the author believes the fact that applying managerial accounting leads to an increase in sustainable behaviors of companies due to their significant role in creating opportunities, which leads to further development of greening initiatives of companies and their impact on the company's performance by reducing waste managerial decisions or reducing resources and energy needed for production process.

Ojha J. (2021) reviewed the importance of management accounting, and in particular the strategic management accounting element as a tool for enabling top management to make effective decisions that enable organization compete effectively in the marketplace, is gaining increasing mention in management

discourse. In that discourse, five core categorizations of strategic managerial accounting techniques: strategic costing; strategic planning, control, and performance measurement; strategic decision making; competitor accounting; and customer accounting.

Our literature shows that organizations are achieving higher performance using managerial accounting techniques. In other words, effective use of managerial accounting techniques would improve organizational performance. The plausibility in that performance outcome lies in the fact that organizations can utilize appropriate strategic managerial accounting measures to ensure effective, customer, competitor, strategic decision making, costing, and planning and control orientation in their operational activities.

This paper **aims** to represent managerial accounting as an effective approach to guide managers properly in investment decision making process. To reach this aim, the **main tasks** have been set:

1. Conduct the analysis of the main techniques and tools of managerial accounting to identify their areas of practical usage.
2. Provide short description and financial analysis of manufacturing organization (Apple Incorporation) to identify practical usage of the managerial accounting techniques.
3. Show implication of one of the managerial accounting techniques (capital budgeting) that can facilitates manager decisions making in investment process.
4. Provide recommendations of applying managerial accounting techniques towards effective management.

**Results.** This article shows solutions to the problems affecting decision making process. Techniques and tools in managerial accounting which facilitates management accounting work in achieving business goals. The most useful ten tools or techniques of Managerial Accounting are [4, p.14-15, 5, p.5-6] financial planning, analysis of financial statements, budgetary control, marginal costing, historical cost accounting, standard costing, revaluation accounting, capital budgeting, constraint analysis and trend

analysis and forecasting. To achieve its goal, managerial accounting depends on several tools and methods, here we will provide description of above-mentioned tools and techniques [5, p.5-6].

Financial planning characterized by a well-designed financial plan. This plan reflects the short- and long-term investment goals of the corporation. An organization should have a clear idea of the sources of funding. So that they can carry out all financial activities that are aligned with their objectives. The techniques in this financial analysis are key to understanding your financial statements and forecasting next steps. This means that you will have an idea of future income, the ability to pay interest, the state of the debt and the potential profit margin.

Budgetary control is used for planning and managing different types of activities in a business. Budget control helps management set a direction to achieve a specific goal, such as achieving the desired return on investment.

Marginal costing helps to find out the type of cost, way of cost control, and procedure of profit maximization. This financial technique concerns the impact on costs resulting from the increase in production volume. The historical cost accounting provides past data of the company to the management. It includes information on prior transactions, the cost of each task, project, and procedures. This allows executives to measure their productivity against their standard costs.

Standard costing is important to determine the actual expense of an organization. This is a process of measuring cost in the most practical work environment and controlling costs by following certain effective rules.

The revaluation accounting is also known as replacement accounting. With this funding technique, the accountant manages the firm's fixed assets. For capital to be represented by its asset value. This approach is used to avoid capital replacement issues in terms of higher prices.

Capital accounting is the information technology required to make a judgment on capital expenditure. It allows management to

determine whether a proposed asset purchase should be accepted or rejected.

Constraint analysis helps to identify potential causes that prevent the company from moving forward. It also helps managers identify improvements necessary to meet objectives. Trend analysis is used to project future changes, sales growth, product costs, inventory levels and interest rates. Using this technique, senior management may anticipate unusual deviations from the predicted values.

Therefore, the description of the most used techniques and tools of managerial accounting shows that appropriate applications and implication of them help managers with financial and contextual information regarding the business to guide the decision-making process. However, the main disadvantages remain as subjectivity and lacks standardized procedures with strong dependency on the quality of data used, in addition it is time consuming process.

With given results of analysis, we can proceed with short description and financial analysis of manufacturing organization – Apple Incorporation (Apple Inc.) to identify practical usage of the managerial accounting techniques.

The company has developed computers with innovative graphic user interfaces, including the original Macintosh, advertised in a critically acclaimed advertisement, "1984", directed by Ridley Scott. Apple Inc. is an American multinational company focused on consumer electronics, software and online services based in Cupertino, California, USA. Apple is the largest technology company by revenue (totalling US\$365.8 billion in 2021) and as of June 2022, it is the world's biggest company by market capitalization, the fourth-largest personal computer vendor unit sales and second-largest mobile phone manufacturer. It's one of five big American Technology companies, along with Alphabet, Amazon, Meta, and Microsoft. Apple sells and delivers digital content and applications through Apple Store, Apple Music, and others [8, p.1].

Based on obtained its financial statements, balance sheet, income statement and cash flow statements for 2020-2021

calendar years we have conducted short financial analysis [9, p.3, 10, p. 3]. The total assets of Apple Inc. and total liabilities have increased for analyzed period. However, total equity decreased from \$65,339,000 to \$63,090,000 from 2020 to 2021. Total capitalization increased but common stock equity decreased, which most likely that Apple Inc. had reduction in investments activities at that period. However, invested capital increased significantly, that shows that company decided to increase its investment activities, and it could lead to increased profitability for the company. The amount of total debt increased, that means that company has taken new debts to cover its investments outlays. Regarding revenue and expenses of the firm, we should mention that operating expenses have increased significantly from \$38,668,000 to \$43,887,000. Overall, it is favorable change, because thanks to the company's cost management, total revenue has been increased as well. The operating and investing cash flow have increased, while financing cash flow was negative, which means that company has paid off long-term debt or/and made dividend payments to shareholders. The company had positive free cash flow. Overall, we can see that the company had really good performance and, in the future, it has high possibilities to improve their conditions with its right investment decisions.

Based on the financial statement analysis, we have noticed that the company's abilities to generate its income mostly depends on investment in fixed assets. To facilitate investment decision process, we would like to offer using one of the managerial accounting techniques – capital budgeting. Capital budgeting is concerned with the analysis of information required to make the necessary decisions related to capital expenditures. In capital budgeting analysis, managerial accountants calculate the net present value and the internal rate of return to help managers to decide on new capital budgeting decisions [10, p.3]. To proceed with Net present value and Internal rate of return calculations, we collected historical data on investment, such as cash flows spending for the last five years.

With the assumption that an investment will be the same as in the previous 5 years and the discount rate is 2.12%. Calculations have been

performed by using statistical software MS Excel and the results are illustrated in the table 1. [11, p.3].

**Table 1. Net Present Value and Internal Rate of Return calculations**

Period	Cash Flows
Initial investment	-\$160 070 000
2017	\$126 340 000
2018	\$107 070 000
2019	\$120 483 000
2020	\$120 483 000
2021	\$106 870 000
<b>Net present value</b>	\$399 413 000
<b>Internal rate of return</b>	69%

Source: developed by authors based on materials [8-11]

Based on the Net present value we can say that the past investment decisions were reasonable and may lead to strength financial position of the company. Additionally, based on financial statement analysis, it is noticeable that the financial positions of the Apple Inc. can be improved through better management of its debts, hence marginal costing, as one of the managerial accounting techniques can help to find out the type of cost, way of cost control, and procedure of profit maximization.

Apple Inc. should also pay attention on self-updating and maintaining products to satisfy its customers by producing high-quality products. Budgetary control as a technique of managerial accounting is recommended to be applied for planning and managing different types of activities in a business. Budget control helps management set a direction to achieve a specific goal, such as achieving the desired return on investment. This can be achieved through increasing their investment decisions. Customer dissatisfactions can be a signal of the depress performance of the company in all its perspectives. So, to avoid these situations, managerial accounting techniques should be applied appropriately. For instant, the constraint analysis can help identifying potential causes that prevent a firm from moving forward and helps managers identify improvements necessary to meet objectives and to anticipate unusual deviations from the predicted values. Other techniques can be utilized but the conceptual point is the either

improving or maintaining performance of the organization in a market.

**Conclusion.** Now we can conclude that, managerial accounting has been fundamentally essential in manufacturing company as it is the consistent factor in updating the organization and management that controls the allocation of resources for the betterment of the organization.

All tasks have been executed, in particular conducting the analysis of the main techniques and tools of managerial accounting in order to identify their areas of practical usage; providing short description and financial analysis of manufacturing organization (Apple Incorporation) in order to identify practical usage of the managerial accounting techniques; showing implication of one of the managerial accounting technique (capital budgeting) that can facilitates manager decisions making in investment process; providing recommendations of applying managerial accounting techniques towards effective management.

Authors recommendations of utilising appropriate managerial accounting techniques have been proposed in accordance with outcomes of conducted financial analysis of the Apple Inc. and identified its weak areas. Through the practical example we showed that the managerial accounting can be effectively used for guiding managers toward achieving firm's objectives.

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