



## Strategic Management Accounting of Company Costs

Vera A. Manyueva<sup>1\*</sup>, Vladimir A. Piskunov<sup>2</sup>, Vladimir P. Fomin<sup>3</sup>

<sup>1</sup>Samara State University of Economics, 141 Sovetskoi Armii, 443090 Samara, Russia, <sup>2</sup>Samara State University of Economics, 141 Sovetskoi Armii, 443090 Samara, Russia, <sup>3</sup>Samara State University of Economics, 141 Sovetskoi Armii, 443090 Samara, Russia. \*Email: manyueva58@mail.ru

### ABSTRACT

The article considers conceptual approaches to the formation of accounting integrated information flow of strategic company management. The comparative characteristic of strategic and operational management accounting is given. The authors suggest their own definition of strategic management accounting as a component of the management function “accounting” and the mechanism of its realization. They also point out its goal and tasks. The systems of strategic management costs accounting are analyzed they form accounting and integrate information flow to develop and realize company strategy. On the basis of activity based costing (ABC) method the methodology of strategic management accounting of company costs in the process-oriented management structures is suggested. The authors suggest six stages in ABC method and define their contents.

**Keywords:** Activity Based Costing Method, Company Costs, Integrated Accounting Information Flow, Management Accounting, Product Costs, Strategic Management Accounting

**JEL Classifications:** M41, M49

### 1. INTRODUCTION

In conditions of market economy all the companies need flexible and quick reacting to changeable internal and external environment in order to form long-term competitive strategy and policy. So, the problem of informatization of strategic management in the process of managerial decision-making is becoming vital.

The integrated system of strategic management is based on the information of management accounting. It is management accounting that creates the knowledge base for internal users, forms information flows necessary for definite object management. All this asks for the necessity and advisability of studying the concept of management accounting in the system of strategic management.

During the last two decades enough attention was paid to the studies of theoretical and practical aspects of management accounting but still scientific justification of strategic management accounting is the subject of discussion. Strategic management accounting is intended to form accounting and information support for senior

management which includes, firstly, going beyond the limits of internal environment and getting information about external environment - markets, competitors, stock, etc. and, secondly, determination the relationships between the selected mission (strategy) and accounting methodology for data formation. Further development of an effective management accounting system in general and strategic accounting in particular depends on methodology improvement and strategic management needs and finding the best ways to satisfy them. The methodology of strategic management accounting must be developed on the basis of integrated approach to form information environment which includes the whole cycle of management procedures taking into account strategic positioning of the company. The company pays special attention to the level and structure of its costs which are the object of strategic management and therefore management accounting. Integrated information space on company costs makes it possible to construct a proper information system to assess their efficiency. This raises an important scientific problem to create the system of strategic management accounting on the methodological basis oriented towards the needs of senior company management.

The issues of methodology development of management accounting in general and strategic management accounting in particular were studied in works of many researchers including Russian researchers. Scientists put a great contribution to the research of this issue, it should be noted that many issues are still debatable.

For successful implementation of strategic company policy it is necessary to form an integrated accounting information flow arising in the process of cost management in process-oriented structures which is an integral part of an overall information flow. This goal implementation suggests a methodological approach to create an integrated accounting information flow in strategic management of company costs.

The formulation and implementation of this complex problem, its scientific and practical importance is urgent to develop optimal management strategic decisions that determined the goal, tasks and structure of the study.

The research goal is the development of theoretical, methodological and practical recommendations on the formation of integrated information flow in strategic management accounting in order to create full comprehensive information concerning company costs on the basis of process-oriented management structures.

The research goal determined the following tasks:

- To determine conceptual approaches to the formation of integrated accounting information flow in the strategic company management;
- To justify the concept, goal and functions of strategic management accounting and to determine the directions of its development;
- To analyze the use of the systems of strategic management costs accounting in practical company activities;
- To develop the methodology of strategic management accounting of company costs in process-oriented management structure.

The research subject is the totality of theoretical, methodological and practical aspects of strategic management accounting in the process of formation of integrated accounting information flow in the company management system.

The research object is accounting information flows on the company costs.

## 2. METHODS

The theoretical and methodological research basis is formed by the works of scientists dedicated to the vital issues of strategic management accounting development, macro- and microeconomics provisions, strategic management theory and the theory of information systems.

The dialectic cognition methods and system approach were taken as a methodical basis. General scientific and special methods of grouping and selection, generalization and functional classifications were used.

## 3. RESULTS

### 3.1. Conceptual Approaches to the Formation of Integrated Accounting Information Flow in Strategic Company Management

In modern conditions the system of company management includes two directions of management activities which complement each other: Strategic management connected with the development of the future company potential and current (operative) management which transforms existing potential into profit. Taking into account the goal the article views the process of such management implementation which provides company adaptation to quickly changing environment. A lot of factors influence growing importance of strategic management:

- Changes acceleration in external environment, the emergence of new demands and changing customer position;
- Growing competition for resources;
- Business internationalization, the emergence of new, sometimes quite unexpected possibilities for doing business;
- The development of social nets making possible receiving and distributing information very quickly;
- Widespread availability of modern technologies;
- Changing the role of human resources.

The essence of strategic management is determined by the totality of interrelated management processes including:

- Mission determination and the systems of goals (the first process);
- Studying internal and external environment (the second process);
- Choosing strategy (the third process);
- Strategy realization (the fourth process);
- Estimation and control of strategy realization (the fifth process);
- Correction of the chosen strategy (the sixth process).

The key role in the realization of above-mentioned processes is accounting and information supply of senior managers. In the majority of theoretical and methodological researches the process of formation of accounting information is oriented towards specific management functions.

Strategic management makes demands to the formation of modern process-oriented management structures, where the main managerial link is the process that fully complies with ISO 9001: 2008 "Quality management." In these management structures there is the decentralization of management functions - budgeting, accounting, control, analysis and regulation. Consequently, accounting information flows must provide the needs of a wide range of users who are simultaneously engaged in performing these functions. In this regard, there is a theoretical and methodological problem associated with the definition of common principles, methods and objectives of management accounting in process-oriented management structures. The way to build an effective system of strategic accounting is to improve its methodology, to clarify the basic information needs of strategic management and to find the best ways to satisfy them.

Integrated accounting information flow in the system of strategic management is integration of constantly changing information of financial, tax, statistic and management accounting about the state of internal and external environment.

The goal of financial accounting is to provide information for the wide range of users, first of all, external ones in regard to the company. However, this does not mean that the accounting data is not used by internal users for making management decisions. Financial accounting is an information system, which is the link between the economic company activity and decision makers.

Tax accounting is made to calculate the tax base and the amount of certain tax types. It applies its own principles, norms and procedures for tax base calculation according to the requirements of tax legislation. The main objects of tax accounting are the taxpayer and his business activities.

Statistical accounting in the company aims at generating accounting information in forms of statistical reporting.

Goal orientation of management accounting is in collecting, identification, measuring, saving, preparing, interpreting and presenting financial and non-financial information about external and internal environment for budgeting, analyzing, control and regulation of the company activities during the process of achieving current and strategic goals.

Combining the information of listed above accounting types allowed forming integrated accounting information flow on the state of internal and external environment for internal users in the strategic company management. The configuration of the integrated information flow is shown in Figure 1.

The primary role in strategic management integrated accounting information flow is played by strategic management accounting; the results of studies on its development are presented in the next section of the article.

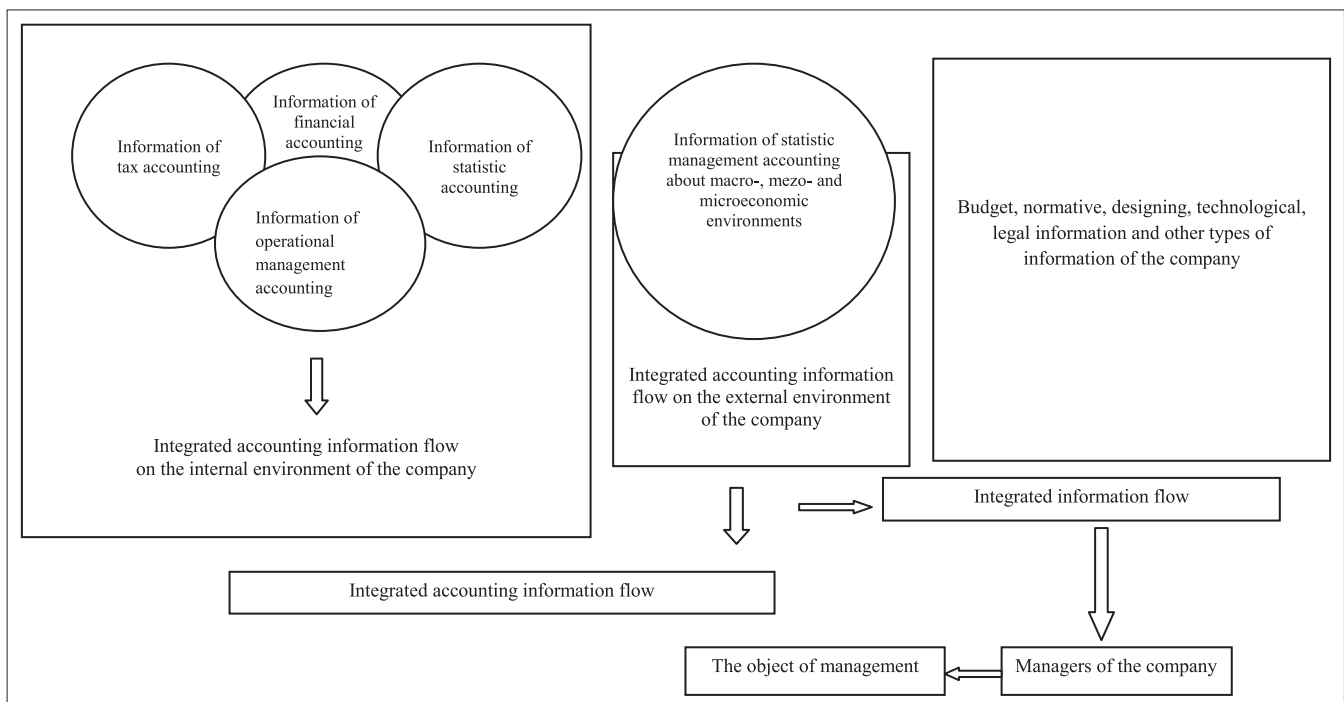
### 3.2. The Development of Strategic Management Accounting

Two management directions interact in company activities: Operative and strategic. In this connection, it is expedient to focus on operational management accounting and strategic management accounting in the system of management accounting. To understand the similarities and the differences between two directions of management accounting, their comparison is made, the results of which are shown in Table 1.

The formation of financial and non-financial information that is used equally for the analysis of internal factors and processes is common for two directions of management accounting. Both directions are connected with collecting information about microenvironment. The differences are as follows:

- Based on targeting strategic management accounting is aimed at generating information about macro, mezo and microenvironment to define the mission and strategic goals, analyze and control the process of achieving them, while operational management accounting generates information about internal environment and microenvironment to achieve short-term and medium-term objectives;
- Users of strategic management information are mostly senior managers of the company; the users of operative management information are mostly managers of middle and low levels;
- Attention of strategic accounting is equally directed towards internal and external environments; operative accounting is oriented mostly towards internal activities of the company;

**Figure 1:** Configuration of the integrated information flow of the strategic management of the company



Source: The figure is compiled by authors

**Table 1: Comparative characteristics of strategic and operative management accounting**

Characteristics for comparison	Strategic management accounting	Operative management accounting
Goal	Collecting and generalizing of information to form the mission and strategic goals, analysis and control over the reaching of these goals	Collecting and generalizing information to reach the current (middle-term and long-term) goals
Concentration of attention	On external and internal environment	On internal environment, partially, on micro-environment
Influence of factors on organization activities	The influence of external and internal factors of macro-environment is equal	The influence of macro-environment factors; slightly the influence of external macro-environment factors
Analysis of the internal factors and processes	Made	Made
Analysis of external factors and processes	Made with internal factors and processes	Not made or is made irregularly
The use of non-financial indicators	The same as financial indicators	The same as financial indicators
The users of the accounting data	Senior managers for strategic management	High, middle and low company levels for operative (current) management
The main tasks	Information supply To develop strategic goals and directions To analyze conjuncture, perspectives and market state to analyze and estimate company potential To establish the ratio between sales volume for products and markets To determine and analyze indicators to be controlled in accordance with strategic goals To analyze the influence of deviations on realizing the strategy and taking regulatory decisions	Information supply To analyze and control budget (normative) and factual indicators in order to reveal the reasons, guilty persons and the consequences of deviations To analyze the influence of deviations on reaching medium-term and short-term goals To take operative (current) managerial decisions
Methods and instruments	Portfolio analysis, PFC-method, ABC-method, BSC, methods of forecasting and discounting	Direct costing, standard costing, ABC-method
Taking into consideration the risk of activities	Taken into account to the great extent	Not taken into account or slightly taken into account
Using them for analysis when taking managerial decisions	The analysis of factors of macro-environment: STEP- analysis, SWOT-analysis, etc. The analysis of factors of micro-environment: The analysis of internal activities with the use of value chain framework by Porter; benchmarking	The analysis of production company activities and its subdivisions expressed in economic indicators
Accounting object	Any object depending on the goals of strategic management	Costs, prime cost, responsibility centers

Source: The Table 1 is compiled by authors. SWOT: Strengths, weaknesses, opportunities, and threats, ABC: Activity based costing

- In strategic management balanced scorecard companies (BSC), strengths, weaknesses, opportunities, and threats (SWOT)-analysis, benchmarking, value chain framework by Porter, etc., are used, in operative management accounting traditional methods of production costs accounting and calculation of prime product cost (direct-costing, standard-costing, activity based costing [ABC]-method, etc.) are used;
- When forming information supply strategic accounting mainly take into account the risks of company activities for the future, in operative management and accounting this factor is either not taken into account or is slightly taken into account;
- The object in strategic accounting is the whole or part of the whole; in current accounting, as a rule, only part of the whole (costs, prime cost, results, responsibility centers, types of activities, etc.).

So, strategic management accounting is an independent direction of management accounting as for taking decisions

in strategic management specific methods and instruments of getting information are used. To protect strategic positions, determine strategy and improve competitiveness senior managers need information which will show company competitors, the reasons why the company wins or loses in this competitive fighting. This information is a warning to make changes in a specific strategy.

The important information created by strategic management accounting is the information on monitoring of internal and external company environment. At the same time strategic management accounting uses information on the state of internal company environment formed by other types of accounting - financial accounting, tax accounting, statistic accounting and operative management accounting. So, uniting the information on internal environment with the own information (on external and internal environment) strategic management accounting creates integrated accounting information flow.

Strategic management accounting should be viewed as a part of a common function of management “accounting” and the mechanism of its realization. As a part of a common function of management “accounting”, strategic management accounting is aimed at the formation of financial and non-financial information on specific management object to realize the whole cycle of main functions of strategic management: Budgeting, analysis, control and regulation. As the mechanism of this function realization, strategic management accounting is the process of collecting, identification, interpretation and representing financial and non-financial information for the analysis of internal and external company environment, estimation and control of the process of strategy implementation on the basis of which senior managers take strategic managerial decisions to fulfill the company mission and the owners estimate company activities from the point of view of capital profitability.

The goal of strategic management accounting is to form information on the state of external and internal environments in order to develop long-term strategy as well as to estimate and control strategy implementation to take regulating managerial strategic decisions.

As realization mechanism of the common function “accounting” strategic management accounting should:

- Integrate information on external and internal company environment to understand its position in a competitive environment; on the basis of this information analysis is made and decisions concerning the company strategy, strategic goals and the directions of achieving these goals are taken;
- Form information for strategic planning aimed at developing targeted complex programs to reach strategic goals and calculate corresponding strategic budgets;
- Form information on external and internal environment of the organization to analyze, estimate and control the implementation of company strategy and mission. If necessary it is possible to regulate the goals and correct the strategy on the basis of this information;
- One of the important objects of strategic management accounting is company costs. Practical realization of the formation process of integrated accounting information flow in strategic costs management determined the next direction of the research.

### 3.3. Analysis of the Systems of Strategic Management Costs Accounting in Practice

Functioning of interacting operative and strategic management in company activities is preferable and proper if we consider strategic management accounting from the point of view of its position and role in management and its differences in comparison with operative management accounting.

To reach competitive advantage on the market companies must be ready to perceive and use the modern systems of strategic management accounting.

Widely used accounting systems such as “standard costing,” “direct costing” satisfied company needs of when its goals were

getting maximum profit, increase production volume and sales. Then the main indicators were financial results of activities. As competition is being developed the quality indicators, the volume of investments in the creation of new products and services and the satisfaction of consumer needs and requirements are getting more essential. Traditional systems of costs accounting now do not give information concerning the prime cost of organizational events and production processes and their importance for company goals. All this asks for new requirements to form management accounting information on company activities in general and its costs in particular.

Now the following systems of strategic management costs accounting are used which form accounting information space to develop company strategy and its realization: Target costing; Kaizen costing; supply chain management (SCM); value chain framework by Porter; BSC; SWOT-analysis; benchmarking; (ABC-method), etc.

The variety of systems of strategic management accounting of company costs can be attributed to several factors:

- Each system of strategic management accounting is based on the strategic positioning of the company;
- The diversity of objectives of strategic positioning requires the use of one or more systems or harmonization of several systems of strategic management accounting;
- Some systems of strategic management accounting are used to develop strategic goals, strategies and directions for their implementation while the other are used for monitoring and taking regulatory strategic management decisions;
- Some systems are used to collect data on external environment, some - on internal environment and some - on two components at the same time.

From our point of view, the methodology of strategic management accounting of the company costs must first of all take into consideration strategic positioning of the company and be formed on the basis of harmonization of existing systems. If the company positions itself as a leader in costs, then to achieve strategic goals it is advisable to use value chain framework by Porter and SCM. The main mission of these systems is the formation of accounting information for senior managers to take decisions on possible cutting costs or changes in configuration of a product value chain. If the company activities are aimed at innovation processes it is recommended to use target costing. In the period of unstable state of internal and external environments it is better to use kaizen costing. BSC, SWOT-analysis, benchmarking are considered to be harmonized accounting systems of costs management.

Integrated accounting information flow includes both the information on internal and external environments. The external sources of information consist of several information blocks on macro-, mezo- and micro- environments. Each block can include financial, economic, legal, technical and social information. The contents of accounting information on the state of external environment used in strategic management of the company costs are represented in Table 2.

**Table 2: Information on environment condition**

Information block	Type of information	
Macroeconomic environment	Inflation rates	
	Key interest rates	
	Tendencies of exchange rates	
	Average profitability level of stock market	
	Rates on various taxes	
Mesoeconomic environment	Contributions rates on social insurance and providing	
	Output and product sales	
	Average price indexes on branch production	
	Branch profitability level	
	Rates of custom duties on branch production	
Microeconomic environment	Growth rates of branch production funds	
	Rates on environment emissions	
	Market condition	Market of material and production stocks
		Volume and elasticity of supply and demand
		Market capacity
Real and potential branch market share		
Indexes of prices dynamics		
Competitive environment	Financial and credit market	
	Types of main financial tools	
	Volume of transactions in financial and credit market	
	Rates on credits (loans) and leasing payments	
	Market of non-current assets	
	Tendencies of progressive technologies, technical means and intangible assets	
	Price indexes on non-current assets	
	Labor recourses market	
	Unemployment level in the region	
	Level of an average salary in the region	
Competitive environment	Number of organizations participating in the market of material and production stocks	
	Total amount of material and production stocks on the market	

Source: The Table 2 is compiled by authors

Ways and sources of information collection about environment condition can be various: Mass media, rating agencies reports, special and thematic reports of consulting structures, various polls (questionnaires), financial investigation reports, statistic volumes, published financial reports and others.

This data collection is carried out systematically by structural division specialists which duties are issues of company mission and strategy development in accordance with queries of other division users. After data analysis offers are made which are needed to develop a new strategy and to correct it if it's necessary.

Practical realization of strategic management expenses of company accounting in the process-oriented structures seems to be in use of ABC-method that meets modern requirements of strategic management. The following article section is devoted to this research.

### 3.4. Methodology of Strategic Management Accounting of Company Expenses in the Process-oriented Management Structures

Initially ABC-method was used to increase prime cost calculation accuracy of separate production types, works, and services. However a new level of administrative tasks that is directed on strategic company management expanded field of this method application; it became one of the most important methods of searching opportunities to decrease production and sales expenses, as well as labor and production capacity expenses, and to increase labor productivity and production profitability, to improve cost indexes of company activity.

ABC-method conforms to process-oriented management structures requirements as it allows:

- To keep the account of expenses on each business process (financial responsibility center [FRC]) and a place of their origin (operations, functions, a kind of activity);
- To make administrative decisions in the field of processes quality (kinds of activity, functions) and their efficiency, to carry out comparison with certain standards and to take measures to folding or reengineering of separate business processes or kinds of activity;
- To turn indirect costs that were collected on business processes, kinds of activity, functions and operations into direct costs to calculate prime costs of an exact production or service type;
- To provide data formation: About expenses on each supplier, a buyer, a market segment; on production development, production quality improvement; about the real cost of each kind of activity, business process; on other classification features.

Research of various scientists and practitioners points of view on strategic management accounting system formation on the basis of an ABC-method allowed the authors to allocate six stages in its methodology and to define their content.

The first stage is to define business processes, kinds of activity, functions and operations in the company. Reengineering of business processes and kinds of activity is carried out in a company and as a result “summary reference book of business processes, kinds of activity, functions and operations “is formed.” It gives the grounds to define places of origin of expenses and FRC.

The second stage is to create expenses accounting centers. The structure of business processes and places of expenses origin is the basis of expenses accounting centers definition; they are a strategic objective, a business process, a kind of activity, function and operation. To account expenses and calculate production cost (works, services) a synthetic accounts system of strategic management accounting is defined.

Each synthetic account requires sub-accounts and analytical accounts opening which codes have the following structure:

- The code of the sub-account of business process expenses accounting - two signs;
- The code of the account of analytical accounting of kinds of activity expenses - two signs;

- The code of the account of the analytical accounting of function expenses - three signs;
- The code of the account of the analytical accounting of operation expenses - three signs;
- The code of the account of the analytical accounting of strategic objective expenses - one sign.

The third stage is to define expenses drivers and to calculate drivers rates. The ABC-method allows carrying out a set of expenses on the basis of drivers, or expenses carriers. The driver acts as a factor of expenses origin therefore the process of a driver choice, its coordination with operation or function of a certain kind of activity is rather difficult. Strategic management accounting provides data collection on operational (quantitative) and temporary drivers; for this purpose calculation parameters various counters are established. Data are put in reports on expenses carriers. Data on actual carriers serves the basis for actual driver rates calculation. The size of a rate depends on an expenses pool and a number of expenses carriers. The expenses pool is defined on the basis of data of synthetic and analytical expenses accounting on financial accounts. The expenses pool in each period can change therefore rates on separate drivers can also increase or decrease. "Summary reference book of drivers" is result of this stage where driver type systematization on levels of their action is provided and data on their standard (budgetary) rates for a certain period are provided.

The fourth stage is to account expenses in places of their origin. In the process-oriented management structures, strategic management accounting of actual expenses is carried out using two-levels accounting system. At the first level the actual expenses on strategic objectives, business processes, kinds of activity, functions and operations are considered, at the second level there is an expenses distribution on calculation objects, or on consumers of business process services by other business processes (kinds of activity and functions), proceeding from driver rates.

This stage includes some procedures:

- Requirement justification for primary documentation registration on expenses implementation;
- Definition of expenses accounting technology on the accounts of synthetic and analytical accounting;
- Development of the list of account forms by expenses types, elements, places of origin and responsibility centers for their analysis, control and budgeting.

In practice the following registers can be used: "The accounting sheet of expenses on a business process," "The calculation sheet of actual cost of an expenses carrier unit on a business process," "The distribution sheet (write-off) of expenses on a business process," "The accounting sheet of expenses on a strategic objective," "The accounting sheet of other expenses;" they are necessary for the purposes of account, analysis and control.

The fifth stage is to distribute expenses between calculation objects. The ABC-method expands the content of calculation objects. They can be: Group of material values, objects of non-current assets, a type of products, a segment of a sales market, a buyer, etc.

To calculate objects prime costs the following registration forms are used: "The calculation sheet of functional cost of a materials group and the initial costs of non-current assets objects," "The distribution sheet (write-off) of expenses on business process on calculation objects," "The calculation sheet of functional production prime cost," "The calculation sheet of full functional product prime cost."

The sixth stage is to form administrative reporting on company strategic appointment expenses. On the basis of these sheets on business process expenses it is offered to generalize data for their analysis and control in a form of administrative reporting: "The report on expenses elements of FRC in terms of strategic objectives," "The report on expenses elements on strategic objectives in terms of FRC," "The consolidated report on expenses elements on strategic objectives."

Strategic management expenses accounting on kinds of activity in the process-oriented management structures allows:

- To create a registration integrated data flow on actual expenses of two types of accounting (financial and administrative) which is used for their grouping in corresponding registers in necessary analytical cuts, on the basis of primary account data (on norms and deviations from them);
- To transfer part of the data from financial account system to strategic management accounting to form data on the accounts, using method of double record in the places of expenses origin and FRC involved in strategic objectives achievement;
- To integrate the accounts of strategic management accounting that performs control and analytical functions with the accounts of financial accounting;
- To make prime cost calculation of strategic calculation objects: Groups of material values, objects of non-current assets, functional (production or full) product prime cost (work, service), a client, a sales segment etc. to analyze and control FRC activity on the basis of their strategic organization positioning;
- To make administrative reporting on actual expenses connected with strategic objectives achievement in necessary analytical cuts to implement strategic budgeting, analysis and control to adopt regulating administrative decisions when strategic objectives are being achieved (accounting is made in a form of feedback);
- To form data for time and quality indicators calculation on business processes to assess labor productivity of FRC.

Therefore, the system of strategic management accounting on the basis of ABC-method in the process-oriented management structures involves financial and non-financial data formation to calculate corresponding indicators which allows tracing the process of company operational and strategic objectives achievement. This accounting system can be harmonized with BSC, SWOT-analysis, benchmarking.

## 4. DISCUSSIONS

Such scientists as Bromwich (1990), Bromwich and Bhimani (1989), Innes (1998), Lord (1996), Simmonds (1981; 1982;

1986), Ward (1999) devoted his works to the issues of strategic management accounting development etc. There are works of Russian scientists Bogataya (2001), Vakhrushina (2011), Ivashkevich (2008), Kerimov (2005), Nikolaeva and Alekseeva (2003), Terekhova (2000), etc.

Bromwich and Bhimani (1989) define strategic accounting as a way of the financial information analysis about company product markets, rivals expenses, expenses structures and tracking of an enterprise strategy and a rival strategy in these markets within several reporting periods. Innes (1998) considers it as means of data providing, that is necessary to support strategic decisions in an organization. Strategic decisions are usually long-term and make considerable impact on an organization. Though strategic objectives can include an internal element, they also have to include an external element. According to Simmonds (1981; 1982; 1986) the strategic account is a way of own business and rival business analysis which is applied during developing and tracking own business strategy. Ward (1999) expresses opinion in his work that strategic management accounting has to be the system of administrative decisions justification as it has to provide certain company managers who are responsible for strategic administrative decisions adoption with necessary information.

In the work of Lord (1996) a literature review is presented in the field of strategic management accounting and the main directions are formed which are used for its characteristic. The conclusions of the research are given in a work where the directions of strategic accounting are:

1. Going above the limits of internal orientation of traditional management accounting and obtaining information about rivals;
2. Defining the dependence between the strategic position chosen by the company, and the expected application of management accounting (reporting from the point of view of strategic positioning);
3. Obtaining competitive advantage at the expense of ways analysis how to reduce expenses and (or) to increase the degree of company product differentiation by means of communications in a chain of value and expenses factors optimization.

Research of Russian scientists opinions on strategic management accounting definition allowed drawing a conclusion that in a work of Bogataya (2001) strategic account is represented as a global model of information technology that unites financial and management accounting within a unified system that provides enterprise managers and specialists with production data to make decisions, and also provides investors with information to assess enterprise activity.

When Vakhrushina (2011) defines strategic management accounting essence she defines its following characteristics: Taking into account macroenvironment external factors; focusing on uncertainty accounting, risk management strategy, forming the base for reasonable administrative decisions adoption.

According to the purpose Ivashkevich (2008) subdivides management accounting system into strategic accounting for top management of an economic entity and current accounting for internal management. It is necessary to assume that the author does not allocate strategic accounting area of from management accounting, and only speaks about its purpose. It is confirmed by the statement that the strategic accounting integrally fits into management accounting system, first, because it is for company management, and secondly it uses those methods which are unified with the current, not strategic management accounting that are focused on incremental expenses and results, the marginal income, activity segments accounting etc. At the same time here economic-mathematical models, forecasting methods, discounting methods are widely used.

Nikolaeva and Alekseeva (2003) note that “a supporting registration system is necessary at the enterprise (strategic management accounting is a such system to ensure successful strategic management functioning.”

Kerimov (2005) includes strategic process accounting and strategic operational accounting into the model of a strategic management accounting concept.

Studying the essence and the content of strategic management accounting allows drawing a conclusion that, despite its popularity in recent years, conceptual justification is still not created, the place of this accounting type is not defined in a management system. Besides, among scientists there is no a unified opinion in the issue of integrated indicators system development of an economic entity activity which can be used as a basis to define strategy and company management. It is important to define how strategic management accounting forms data on assessed indicators for analysis purposes and strategy performance control and a company mission.

When strategic management accounting is introduced in practice a company can face a number of problems. Critical success factors which are necessary to be taken into account at the development of a strategic management accounting system in the company, are presented in a work of Ward (1999):

1. Strategic management accounting has to be a support when strategic decisions are made and implemented;
2. Strategic management accounting has to present financial information in the most suitable and clear form (whenever possible in an individual form);
3. Strategic management accounting has to help to define types of decisions, for this purpose the person who is responsible for strategic decision adoption has to receive fresh financial information in time, and use it for a designated purpose;
4. There should be a necessary choice of optimum financial efficiency indicators of organization activity which have to conform to exact business strategy requirements and to main strategic directions of a competitive strategy in a business process;
5. Strategic management accounting has to consider financial indicators of not only economic, but also administrative



- activity. Administrative activity indicators should not have only financial nature, but financial indicators are to be focused only on profit or on deposit and on expenses covering;
6. Strategic management accounting on the basis of a quality computer database has to provide necessary data collection, carry out their preliminary analysis and supply managers only with essential information for administrative decisions adoption;
  7. In the system of strategic management accounting it is necessary to divide costs into unavoidable and closing;
  8. The system of strategic management accounting has to allow dividing expenses into closing and technical and economic;
  9. Use of a standard-costing method in the system of strategic management accounting has to be strategic;
  10. The system of strategic management accounting has to follow changes of that time requires.

In the process-oriented management structures (ABC) works of Bhimani and Pigott (1992), Cooper and Slamulder (1999a), Cooper and Kaplan (1992), Drury (2000), Innes and Mitchell (1991), Innes and Norris (1997), Horngren (1997), Nachtman and Needy (2001), etc., are devoted to the research of expenses accounting methodology. In these works the accounting mechanism is shown in process-oriented management structures.

Cooper and Kaplan (1992) note that an ABC-method is an economic map of organizational expenses and profitability that was constructed on the basis of organization activity. The system of differentiated expenses accounting provides to the companies an economic activity map, that reflects present and predicted cost of activities and production processes, and so it allows to learn prime cost and profitability of separate goods, services, clients and operating units. In their opinion, ABC-method is constructed in four successive stages: Drawing up as list of kinds of activity; calculation, how much the organization spends on each kind of activity; definition of goods, services and clients of the organization; selection of factors which connect operations with expenses objects.

Drury (2000) defined the following introduction stages sequence of functional management system which are necessary to design a functional system of prime cost calculation: Primary activities identification which are carried out in the organization; costs allocation on expenses centers for each kind of activity; definition of an expenses factor for each of primary activities.

The conducted research of an ABC-method, that was presented in works of Russian researchers Vakhrushina (2011), Ermakova (2005), Ivashkevich (2008), Nikolaeva and Alekseeva (2003), Shigaev (2002a; 2002b) and other experts, allowed defining their point of view on an issue of its introduction into practice of Russian companies accounting.

The algorithm of ABC-method construction, according to Vakhrushina (2011) looks as follows: (1) Organization business is divided into primary activities (functions, operations); (2) each kind of activity has its own expenses carrier that is

assessed in the corresponding units of measurement; (3) the cost of a cost unit is assessed by division of the sum of overhead costs on each function (operation) into quantitative value of the corresponding expenses carrier; (4) product cost (works, services) is defined:

In ABC-method application Ermakova (2005) allocates five stage-by-stage processes: Separate actions aggregation in kinds of activity; expenses accounting on kinds of activity; activity centers creation; a choice of an expenses driver of the first type and its cost defining; a choice of expenses drivers of the second type and costs allocation between calculation objects.

The mechanism of ABC-method development and introduction in Ivashkevich (2008) opinion includes the following sequence of stages: Formation and approval of an actions register and qualifier; a choice and drivers approval for each action; requirements formation and approval to primary documents; documents formation with requirements to ABC; collecting and grouping of information on expenses on each process in a unified cost complex; calculating drivers rates (expenses carriers) in a cut of actions (functions); referring expenses on processes to objects (for example, products) in accordance with volumes of consumed actions; costs calculation on objects.

When Nikolaeva and Alekseeva (2003) describes expenses accounting by kinds of activity she defines the following steps: To identify at the enterprise primary activities which are connected with production (Step 1); to define expenses (expenses pools) for each kind of activity that is identified on a Step 1 (Step 2); to establish expenses carriers for each kind of activity that is identified on a Step 1 (Step 3); to choose expenses pools and expenses carriers which will be used in this expenses accounting system (Step 3); to count an exact rate of an expenses carrier for each expenses pool (Step 4); to apply a received rate of an expenses carrier to manufactured products (expenses objects) to count product costs by means of ABC system (Step 5).

In a structural accounting system Shigaev allocates two main steps on kinds of activity: “(1) Defining prime cost of kinds of activity proceeding from what quantity of resources is necessary to perform these or those kinds of activity; (2) defining product cost (a construction contract) proceeding from their activities volumes on its production (contract implementation)” (Shigaev, 2002a; 2002b).

Research results of content, sequence of development stages, ABC-method introductions and realization allow making a conclusion that all experts have a unified opinion on the choice and definition of common approaches to introduction stages. The difference is that, first, one researchers form stages (steps) proceeding from the fullness extension of their content, and others - due to fullness narrowing and it leads to stages addition; secondly, one researchers limit this method application only for product cost calculation (works, services) while others extend a circle of calculation objects.

## 5. CONCLUSION

The theoretical importance of the results presented in the article is that conceptual approaches to registration integrated information flow formation of strategic company management are suggested.

The essence of strategic management accounting is theoretically researched as a component of a general management function "account" and as mechanism of its realization, its development processes are defined. The strategic management accounting systems of company expenses that are used in practice are analyzed and the conclusion is made that the methodology of strategic management expenses accounting has to consider first of all strategic company positioning and has to be formed on the basis of existing systems harmonization. ABC-method methodology is developed in the process-oriented company structures and it assumes six stages in registration data formation on expenses and this methodology is used in budgeting, analysis and control.

Theoretical research results can be classified as a contribution to scientific research improvement on strategic management accounting.

The practical results significance is in development of a new order of data collecting, processing and formation on company expenses in the process-oriented management structures on the accounts of synthetic and analytical accounting and in accounting records. The content of the administrative reporting on company expenses in a strategic management accounting system has practical value and it allows to carry out the analysis, control and assessment of the company activity in strategic objectives achievements, to carry out regulation of its own development strategy. The received results are to increase quality and efficiency of adopted strategic administrative decisions. Basic provisions of methodical character can be used by practicing accountants, analysts and controllers on data formation to solve company strategic tasks.

## REFERENCES

- Bhimani, A., Pigott, D. (1992), Implementing ABC: A case study of organizational and behavioral consequences. *Management Accounting Research*, 3, 119-132.
- Bogataya, I.N. (2001), *Strategic accounting of enterprise property*. Rostov-on-Don: Phoenix.
- Bromwich, M. (1990), *The case for strategic management accounting: The role of accounting information for strategy in competitive markets*. *Accounting, Organization and Society*, 15(1-2), 27-46.
- Bromwich, M., Bhimani, A. (1989), *Management Accounting: Evolution not Revolution*. London: The Chartered Institute of Management Accountants.
- Cooper, R., Kaplan, R.S. (1992), Activity-based systems: Measuring the costs of resource usage. *Accounting Horizons* (September), 1-13.
- Cooper, R., Slamulder, R. (1999a), Activity-based cost management system architecture - Part I. *Strategic Finance*. (October), 12-14.
- Drury, C. (2000), *Management and Cost Accounting*. 5<sup>th</sup> ed. London: International Thomson Business Press.
- Ermakova, N.A. (2005), *Control and information systems of management accounting*. Moscow: Economist.
- Horngren, H. (1997), *Cost Accounting-A Managerial Emphasis*. 9<sup>th</sup> ed. New Jersey: Prentice Hall. p783-788.
- Innes, J. (1998), Strategic Management accounting in tones. *Hand Book of Management Accounting*. Ch. 2. London: Gee. p968.
- Innes, J., Mitchell, F. (1991), *Activity-Based Cost Management*. London: CIMA.
- Innes, J., Norris, G. (1997), *The Use of Activity-based Information*. London: CIMA.
- Ivashkevich, V.B. (2008), *Management Accounting*. Moscow: Magistr.
- Kerimov, V.E. (2005), *Strategic Accounting*. Moscow: Omega-L.
- Lord, B.R. (1996), Strategic management accounting: The emperor's new clothes? *Management Accounting Research*, 7, 347-366.
- Nachtmann, H., Needy, K.L. (2001), Fuzzy activity based costing: A methodology for handling uncertainty in activity based costing systems. *The Engineering Economist*, 46(4), 245-273.
- Nikolaeva, O.E., Alekseeva, O.V. (2003), *Strategic Management Accounting*. Moscow: URSS.
- Shigaev, A.I. (2002a), Methodological issues of overhead costs accounting on kinds of activity. *Modern Accounting*, 6, 20-29.
- Shigaev, A.I. (2002b), Methodological issues of overhead costs accounting on kinds of activity. *Modern Accounting*, 7, 14-19.
- Simmonds, K. (1981), Strategic management accounting. *Management Accounting*, 59(4), 26-29.
- Simmonds, K. (1982), Strategic management accounting for pricing: A case example. *Accounting and Business Research*, 12(47), 206-214.
- Simmonds, K. (1986), The accounting assessment of competitive position. *European Journal of Marketing, Organization and Society*, 12(4), 357-374.
- Terekhova, V.A. (2000), Strategic management accounting: State and development in foreign countries. *Accounting in State-financed and Non-profit Organizations*, 4, 9-12.
- Vakhrushina, M.A. (2011), *Strategic Management Accounting: Full Course of MBA*. Moscow: Read Group.
- Ward, K. (1999), *Strategic Management Accounting*. Oxford: Butterworth Heinemann, CIMA.