



RS Global  
Journals

Scholarly Publisher  
RS Global Sp. z O.O.  
ISNI: 0000 0004 8495 2390

Dolna 17, Warsaw, Poland 00-773  
Tel: +48 226 0 227 03  
Email: editorial\_office@rsglobal.pl

---

|                  |   |
|------------------|---|
| <b>JOURNAL</b>   | International Journal of Innovative Technologies in Economy |
| <b>p-ISSN</b>    | 2412-8368   |
| <b>e-ISSN</b>    | 2414-1305   |
| <b>PUBLISHER</b> | RS Global Sp. z O.O., Poland                                |

---

---

|                      |   |
|----------------------|---|
| <b>ARTICLE TITLE</b> | TRENDS IN DEVELOPMENT OF MANAGEMENT ACCOUNTING IN GEORGIA   |
| <b>AUTHOR(S)</b>     | Besik Bauchadze   |
| <b>ARTICLE INFO</b>  | Besik Bauchadze. (2022) Trends in Development of Management Accounting in Georgia. International Journal of Innovative Technologies in Economy. 2(38). doi: 10.31435/rsglobal_ijite/30062022/7815 |
| <b>DOI</b>           | <a href="https://doi.org/10.31435/rsglobal_ijite/30062022/7815">https://doi.org/10.31435/rsglobal_ijite/30062022/7815</a>   |
| <b>RECEIVED</b>      | 27 March 2022   |
| <b>ACCEPTED</b>      | 17 May 2022   |
| <b>PUBLISHED</b>     | 21 May 2022   |

---

|                |  |
|----------------|--|
| <b>LICENSE</b> | <br>This work is licensed under a <b>Creative Commons Attribution 4.0 International License</b> . |
|----------------|--|

---

© The author(s) 2022. This publication is an open access article.

# TRENDS IN DEVELOPMENT OF MANAGEMENT ACCOUNTING IN GEORGIA

*Besik Bauchadze, Associate Professor of Batumi Shota Rustaveli State University, Georgia*

DOI: [https://doi.org/10.31435/rsglobal\\_ijite/30062022/7815](https://doi.org/10.31435/rsglobal_ijite/30062022/7815)

---

## ARTICLE INFO

**Received** 27 March 2022

**Accepted** 17 May 2022

**Published** 21 May 2022

---

## KEYWORDS

finding market niche, expenditures, accounting, business units, Benchmarking, SMART, direct-costing.

## ABSTRACT

Trends in development of management accounting in Georgia although the term management accounting has been used around the world since the second half of the 20th century, and in Georgia, the scientists have been arguing about the essence of this phenomenon since about the 80s. Is it an independent science? Is it part of science that does not have an independent subject? This is pseudoscience, e.g., such a phenomenon does not exist at all and so on. The dispute is largely due to the reality of accounting science and practice in the specific countries. It would be a mistake to think of the management accounting as a novelty for the domestic economy. The accountant of that time was engaged both as in accounting and as in planning and analytical work. Along with development of the socialist economic system in the country and the strengthening of central planning, there was the gradual separation from the Accounting Service of the Planning and Financial Departments, with the transfer of part of the accounting authority to them. As a result, the activities of the accountant were actually reduced to the accounting of the facts of the economic life of the enterprise. As a result, the activities of the accountant were actually reduced to the accounting of the facts of the economic life of the enterprise. Thus, summarizing the issues discussed above, it should be noted that management accounting - an integrated system of cost accounting and revenue, valuation, planning, monitoring and analysis which systematizes information for operational management decisions. The existing organizational structure of the enterprise should be regularly reviewed and revised to reflect the changes occurring in the economic activity (production of new products, technological change, change management, etc.), and the achievements of scientific and technological progress. Improving the organizational structure of enterprises, it is important to properly change the approaches to the preparation of internal reporting and performance assessment.

---

**Citation:** Besik Bauchadze. (2022) Trends in Development of Management Accounting in Georgia. *International Journal of Innovative Technologies in Economy*. 2(38). doi: 10.31435/rsglobal\_ijite/30062022/7815

---

**Copyright:** © 2022 Besik Bauchadze. This is an open-access article distributed under the terms of the **Creative Commons Attribution License (CC BY)**. The use, distribution or reproduction in other forums is permitted, provided the original author(s) or licensor are credited and that the original publication in this journal is cited, in accordance with accepted academic practice. No use, distribution or reproduction is permitted which does not comply with these terms.

---

**Introduction.** Management accounting largely deals with the current facts of economic activity, on which you can quickly make the necessary management decisions to improve the production process. Management accounting data is strictly confidential and constitutes a trade secret. Management accounting must necessarily focus on the future and what can be done to influence the course of events. In modern conditions, management accounting is one of the most important conditions that allow the management of the enterprise to make the right management decisions. Since each organization independently chooses the direction of development, types of products, production volumes, there is an objective need to accumulate information on all these parameters, to obtain the necessary credentials. The effectiveness of management accounting depends on the choice of methodology for its maintenance (approaches to asset valuation, methods of processing financial information, taking into account the time factor, methods of costing, etc.). Management accounting methods should be reflected in documents of an organizational nature (orders, orders of management). The purpose of management accounting is to prepare detailed Accounting information on the number of required products, relevant resources and for profit planning. Production Accountant participates in

enterprises in planning financial-economic activities; however, there is no planning manager. She is an accounting manager by whom she reports on expenses and income Prepared without detailed internal accounting information, enterprise it is impossible to plan activities in any direction. Thus, the primary duty of a managerial accountant is to prepare the business Analytical (detailed) reporting of expenses and profit, for which it is relevant, Must possess accounting methodology.

#### **Literature review.**

Numerous authors in their papers discuss the problems of development of management accounting, its introduction and reporting, management accounting as an integral part of managerial decisions. Among them are works: Zhang, H., Zhang, Q.L. and Ma, J.W; Mistry, V.; Sharma, U.; Low, M.; Lodhia S.K.; A. Upchurch, I. Chiladze, E. Kharabadze; Bezrukikhi, J. Boersema, M.A. Vakhrushina, O.N. Volkova, I. Jiri, K. Dr., V.B. Ivashkevich, O.D. Caverina, T.P. Karpova, N.P. Kondrakova, I.G. Kukukina, M.I. Cutter, B. Needels, S.A. Nikolaeva, R. Ortman, G.I. Fashigoreva, Ia.V. Sokolova, V.P. Suitsa, W.T. Chaia, N.I. Chupakhin.

#### **Research methods.**

We have used general research methods such as the dialectical method of cognition, analysis, synthesis, classification, observation and generalization, historical, comprehensive and systematic approaches to logical economic evaluation.

#### **Results and discussion.**

Developed market economy is a continuous competitive battlefield. The transition to the market economy of the country requires an effective organization of enterprise management, which determines the actuality of the implementation and development of management accounting in the national accounting practice, as well as its acknowledgement as an independent image of economic activity of the economic subjects. Corporate systems are basically based on statistical and critical time-critical strategic information. This is because both the company managers and those who carry out the economic policy are based on the imperfect methodological, quantitative performance and models about the micro and macro environment. Consequently, most solutions are based on intuition and not rational, scientific methodology. The procedures for receiving the shady, despite the difference of professional character, have the same basis and are generally based on the methodological algorithm adopted in general. Decision-making procedures have a certain scheme of intellectual activity. Switching from the centrally controlled socialist economy into the market economy has completely altered the basic norms, according to which many companies are operating. As the manufacturer and managers of the service companies now ask for accurate and timely information to improve the quality of their work, the timing and efficiency of the timely decision on their individual products, services and customer.

Today, most of the enterprises operating in Georgia are much more difficult. Companies often have the following types of problems:

- The material stockpiles and fixed assets are recorded incorrectly;
- Not timely and correct inventory;
- Costs are not budgeted and management of fact-plan does not exist;
- Manage suspicious debts effectively;
- There is no procurement procedure, therefore high probability of inefficient procurement;
- Detailed analysis of expenses is not in the company;
- Planning of cash flows and relevant reporting does not occur;
- The cost of the product does not effectively be counted;
- Do not use the management regulatory approaches in companies.

As we know, the main functions of the manager are: planning, organizing, managing and controlling, helping them manage the planning, organizing and control of the management.

The aim of management accounting is to develop recommendations for future prospects through analysis of past periods. That's why governance is sometimes called an analysis of future development. The goal and objective of transforming the accounting system in Georgia is to split modern accounting into two subsystems: financial accounting and management accounting. According to international governing regulations, management regulation can be defined as the process of appraisal, analysis, preparation, interpretation and information used by the management in planning, evaluating and verifying that resources are being used effectively and efficiently. Theoretical and practical expansion of accounting shows that the absence of a common approach and general viewpoint on the principle of

management and financial accounting negatively affects their use in practice and economic theory. The term "management accounting" has been introduced into economic literature and practice in the 50s. There are different opinions about its essence. Management Accounting - this is primarily a management support system for management. The essence of the management account and the important peculiarity is that it connects the management process with the recording process. Managing accounting expands the financial accounting framework, including the production operations.

The goal and objective of transforming the accounting system in Georgia is to split modern accounting into two subsystems: financial accounting and management accounting. While considering various positions, we can assert that the center of gravity in the national and foreign sources of gravity will be more and more paid to the term "managerial". This is related to the fact that accounting technology and organization are determined by the management tasks faced by the organization. In addition, analysis and accounting analysis, for their reduction and optimization, is an important part of the commercial structure. But when deciding on this task of management, we will be guided by the principles of optimization of financial activity. Management accounting information due to the need to change, instead of the statutory accounting and financial accounting. The management of one and the same time makes the unity and opposite sides, and the opposite side of the path of researching managerial accounting, which is filled with financial information and analytical studies management. (Sheremet, 2009)

Decision-makers should provide a large place and attention to the organization's demands, and the management of the accounting must be determined to illustrate this. The information about the official accounting is of different kinds that should encourage decision-making in organizations. The management accounting system focuses on people who take decisions at all levels of the organization, so these systems should be flexible and pragmatic. Persons with high-ranking decision-makers should focus on the financial performance of the results of their activities, such as: profit and expenses, as executives use financial information to communicate with people outside the organization. If we consider the hierarchy of the organization below, we find that information that the decision makers need more than financial information is financial rather than financial because people need to know the technical data of the system they are registered and managed. Managerial accounting information is essential for making decisions and solving problems, but in turn the information is never neutral, because the results of the evaluation and the process of informing entities. Various are involved in different studies show that individuals and groups change their behavior when they are informed of the activities performed by Molds for further evaluation.

The burden in the environment that the companies are so huge that reaching the competitiveness can only be achieved by a radical and significant reduction in expenditures. The methodology for realizing the expenditure reduction program in West Practice involves six stages, which enable the use of the desired results (increase product competitiveness, increase profit);

- Use system approach to optimization of expenses
- Analysis of corporate strategy and business model of the company
- Delegation of powers on business units
- Benchmarking
- Focus on controlled costs
- Create an environment for the introduction of changes (Vakhrushina, 2008, 3)

The management accounting system allows:

- Determine business development strategy, set goals and develop ways to achieve them;
  - Develop financial and non-financial information collection, consolidation and analysis system that will give us a signal of problems;
  - Increase efficiency of the company's cash management;
  - Creation of interconnection system between structural subdivisions, organizing an efficient, multi-stage system of internal control of the enterprise;
  - Creating a cost management system for their optimization;
  - Introduction of budgeting system;
  - Acceptance of strategic and operative, justified management decisions, management decision making processes based on information on financial results of expenditures and enterprise activities.
- The necessity of management accountability in the management system is undoubtedly the main drawbacks of traditional systems. Kaplan and T. Jones in the book "Replenishment is lost: the rise and fall of the governance record". These shortcomings can be generalized as follows:

- Traditional management accounting does not respond to the requirements of today's industrial and competitive environment;
- Traditional methods of calculation distort the information necessary for management decision making;
- The management accounting practice follows financial accounting requirements and is largely determined by it;
- Managing the special attention is paid to internal operations and less attention is given to the environment in which the enterprise works. (Chaya, 2009)

Improvement of production systems and technologies, improvement of management theory and practice requires further improvement and quality improvement of existing operating system.

The use of modern information systems is necessary for the management of the management. Components of the automated accounting system are: - hardware means; - Software; - Mathematical provision; - Information security; - Functional Support; - Technological Support. All of these components are interconnected and it is impossible to determine the sharp boundary between them.

**Conclusions.** Thus management accounting is an integral system of accounting and revenue, norms, planning, control and analysis, which is systematizing the information necessary for operational management decisions. It is necessary to regularly analyze existing organizational structure of the enterprise and revise the changes in the economic activity and the advancement of scientific-technical progress. In addition to improvement of organizational structure of enterprise, it is important to change the approach to assessing internal reporting and evaluation of performance results. Today, very little organization in Georgia is maintaining complete management. In fact, only in international organizations are producing such counts. However, the way to improve the efficiency of enterprises and organizations goes through the information provided by the management account.

#### REFERENCES

1. Chaya, V. T. (2009). Management accounting: Textbook. - M.: Eksmo.
2. Sheremet, A. D. (2009). Management accounting: Textbook. M.: INFRA-M.
3. Vakhrushina, M. A. (2008). Rasskazova-Nikolaeva S.A., Sidorova M.I. Management Accounting. Moscow: BINFA Publishing House.
4. Sorina, G. V. (2006). Fundamentals of decision making. M: Economist.
5. Magaletsky, K. (2007). Costs: from reduction to optimization // Companion. No. 19. Electronic version.
6. Yudanov, A.Yu. (2008). Bachelor: Microeconomics: electronic version / Number of authors. M.: KNORUS,. Electronic version.