

**M**anagement accounting is the identification, collection, estimation, analysis, and use of cost and other information for decision-making within an organization. As far as we know, management accounting has taken shape for a very long time in developed market economies. As a result, the contents of management accounting have been established and increasingly perfect. In our country alone, management accounting has been developed into a scientific system to meet requirements for information of corporate executives.

At present, before the challenges of wider process of integration, economic development requirements as well as increasingly harsh competition, to determine contents of management accounting for effective application to Vietnamese enterprises now becomes an urgent need.

In our opinion, the contents of management accounting is determined on the basis of our economy's conditions and the following criteria:

### 1. Features of management accounting

We have to distinguish the scope, contents and method of reflection of financial accounting from those of management accounting with a view to determining the contents, applying them soon, and avoiding overlapping and securing scientific characteristics of the corporate accounting system.

The objective of financial accounting is to note, process, systemize, analyze and explain economic events, legislation and commercial transactions which have already occurred, mainly by the monetary measurement with the aim to provide data for writing financial statements. Therefore, the contents of financial accounting will include general accounting and detailed accounting related to assets, capital resources, business performance and the implementation of obligations to the State budget of the whole enterprise. The aim at providing information of management accounting is associated with the administration function of corporate executives at all level. In the other words, the information of management accounting has to originate from administrators' wishes for planned targets. As a result, the contents of management accounting should be designed with the aim to meet the requirements for specific information of executives so that they can plan, manage, supervise and make decisions on the en-

# APPLICATION OF MANAGEMENT ACCOUNTING TO VIETNAMESE ENTERPRISES

by Dr. VÕ VĂN NHÌ & TRẦN ANH HOA



terprise's business and production.

With respect to reflection method, because management accounting is a part of the corporate accounting system, it basically uses the system of accounting methods such as: vouchers, accounts, accounting books and accounting statements. However, these methods will be designed to suit the reflected contents of management accounting. In addition, with its special role in information supply, management accounting still uses additional quantitative instruments and support techniques from the methods of analysis, statistics and mathematics.

Although they are established to provide information for different objectives, but management accounting and financial accounting have interactive relations in enterprises' administration. Both of them almost use the same input information source and provide the output information source to manage corporate finance although their level of information is different in terms of structure and characteristic. Therefore, the combination of management accounting and financial accounting in

the same accounting system of an enterprise will make the accounting function more perfect and diverse.

### 2. Dependence on needs and capacity of an enterprise

The benefit-cost viewpoint forces enterprises to balance benefits and costs from information provided. Accordingly, benefits gained from information must be higher than costs for its supply. The accounting management provides information useful to managers' function, that is: planning, managing, checking and making decision. Nevertheless, decision making itself is not a separated function, it is in fact an inseparable of management functions. Planning, managing and monitoring all require information-based decisions. In an enterprise, there are many decisions which the administrator has to make with the help from the system of accounting information. As such, how much information is sufficient and is that information necessary for corporate executives? To answer this question, one usually has to depend on consideration of costs and benefits



generated by that information.

However, the evidence shows it is very hard to measure the whole cost and benefits generated by that information. The analysis of costs and benefits of accounting information requires the consideration of exchange and cooperation between information users and accountants. As a result, to collect accounting information fully useful for the process of corporate management as well as to make the best use of all information, executives must have knowledge on accounting and know what they need in accounting information and how useful it is for their decisions in addition to their management professional skills. In the other words, they must know to make orders to management accounting in collecting, processing and providing information in accordance with requirements of their tasks.

Moreover, management accounting is established in accordance with demand and capacity of an enterprise because it is legally obligatory. As a result, it allows businesses to design a process of providing information on their own so that it is suitable for their management objectives. All tasks from identifying reflection indicators as well as calculation methods and writing management accounting reports are established with a view to serving a specific enterprise and executive.

Based on this viewpoint to determine basic contents as well as general models and their business characteristics, enterprises set up suitable organization models and identify contents of management accounting. We think businesses can

use basic principles, similar processes to establish management accounting with the aim to provide information for decision-making within an enterprise.

### 3. Applying achievements of developed countries

The term of management accounting is almost common in our country since the promulgation of the accounting system 1141/TC/CĐKT. In the meantime, it has come into being for a very long time and has been strongly developed in 1960s. As a result, the development of management accounting in our country remains modest as compared to developed countries.

Over the past two decades, management accounting in developed

countries has seen a rapid growth. Its role in the field of management has been asserted and it has come to a new stage in the research of behavior and organization. The studies on behavior and organization have highlighted the origin of the dependence theory of management accounting. This theory is a ground for managers when considering facts in changing events. It is used to determine and explain which accounting system is selected and applied in accordance with an enterprise's specific conditions in steady development of the economy.

At the same time in our country, full attention has not been paid to the important role of management accounting as well as its usefulness. On the other hand, there are still dif-



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ferent views about the contents and methods to implement management accounting. As a result, to bridge this gap requires us to learn and apply achievements of other developed countries to the establishment of contents and the method to implement management accounting. However, this practice must be screened in accordance with practical operations of businesses and conditions of our economy.

At the same time, we have to consider and perfect old methods of accounting production costs and product prices which Vietnamese have ever implemented before. This is because this practice will help local businesses to apply management accounting easier and save a lot of time, energy and costs ■