

# A Comprehensive Approach to Management Analysis at an Enterprise in The Management Accounting System

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## Abstract

As a result of the research, this article presents the main stages of creating an information base for analysis and the sequence of conducting management analysis at the enterprise. Since a comprehensive assessment of the effectiveness of decisions taken consists in analyzing the effectiveness of economic activity, the researcher proposed a sequence conducting management analysis at the enterprise and the possibility of using SWOT analysis of the implementation of the management accounting system, as well as the methodology of management analysis of costs using the information flows of the accounting system.

**Key words:** efficiency, economic activity of the organization, comprehensive assessment, management analysis, accounting and analytical system, management reporting, information base of analysis, SWOT analysis, information flows of the accounting system.

## Introduction

Improvement and development of market economy mechanisms leads to the need to improve the analytical process in the economic activity of the organization. Free regulation of prices, the focus of the enterprise's activities on obtaining maximum profit require rational and competent management decisions from management accounting. Therefore, in this case, the need for a detailed analysis of all aspects of the organization's activities increases, taking into account the difference in the goals set in a certain period of time and certain branches of the

enterprise. This approach gives special attention to the management analysis of the organization's economic activities, which is inextricably linked with management accounting. When conducting management analysis, it is necessary to adhere to the principle of an integrated approach, in which each object of analysis is considered in interaction with external and internal factors. As a result of the integrated approach, the principle of variability of the results obtained must be observed during management analysis. When conducting a cost analysis in the future, it is necessary to analyze alternative options obtained as a result of changing various factors.

A comprehensive assessment of the effectiveness of decisions taken consists of an analysis of the effectiveness and rationality of the organization's economic activity, on the basis of which its goals and objectives for the next period are clarified.

The most effective and rational system of organizing analytical processes is the management analysis system. Management analysis is a subsystem of organization management, which includes functions of collecting information for management, setting goals, accounting, regulation, analysis and control. It follows that management analysis is a process of complex analysis of internal resources and capabilities of the enterprise, aimed at assessing current economic activity.

The main reliable source of information on the economic activity of the organization is management reporting, that is, information support for analysis at the enterprise.

Providing management at all levels with reliable and timely information for analysis and

decision-making is one of the main functions of the management accounting system.

However, the implementation and improvement of the management accounting system should be preceded by a study of the organization's activities to determine its readiness for this process.

One of the main effective tools for reflecting the process of economic activity in an organization is the so-called "express assessment" tool. As this tool, a test for financial management is proposed, the purpose of which is to make a preliminary conclusion about the state of management accounting in the organization.

In the case when the manager accepts management accounting as an opportunity to improve the information support of the management process and is ready to give money, it is not a sufficient condition for building an effective management accounting system. Therefore, in addition to this test, it is proposed to use SWOT analysis (Table 1).

**Table 1: SWOT Analysis Model for the Implementation of a Management Accounting System**

Strengths - S	<ol style="list-style-type: none"><li>1. The desire and readiness of the organization's management to provide support for the process of implementing the management accounting system;</li><li>2. The management's attitude to the implementation of the management accounting system as a serious investment project;</li><li>3. Willingness to engage third-party consultants;</li><li>4. Ability to form a staff of proactive, qualified employees headed by an experienced manager;</li><li>5. The ability and readiness of specialists in the financial and economic sector to learn, the perception of ongoing changes as an opportunity to improve their qualifications and level;</li><li>6. Transparency of internal financial information for the management accounting system;</li><li>7. Focus on automating the work of the financial and economic sector, using the software product in conjunction with accounting.</li></ol>
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Weaknesses - W	<ol style="list-style-type: none"><li>1. Methodological errors:<ul style="list-style-type: none"><li>- lack of a systematic approach to the development and implementation of management accounting;</li><li>- lack of a unified methodology for setting up and implementing;</li><li>- insufficient disclosure of the importance of the analytical function of the accounting system and orientation of this function only to the requests of external users;</li><li>- insufficiency or absence of internal reporting that provides feedback in management accounting;</li><li>- insufficient knowledge of methods for qualifying costs in management accounting;</li><li>- absence in the organization of a single register of financial and economic terms necessary for all participants in the implementation process.</li></ul></li><li>2. Organizational problems:<ul style="list-style-type: none"><li>- lack of a clear organizational hierarchical structure in the organization;</li><li>- non-participation of the organization's management in setting goals and developing the main methodological aspects;</li><li>- resistance of individual employees to changes related to the process of implementing management accounting in the organization;</li><li>- insufficient qualifications of employees and lack of motivation.</li></ul></li></ol>
Opportunities - O	<ol style="list-style-type: none"><li>1. Increasing marginal income by optimizing the range of manufactured products and pricing policy;</li><li>2. Increasing employee motivation by correctly determining the contribution of an individual department or employee to the overall result;</li><li>3. Reduction of production costs by eliminating non-production costs, theft, optimization of standards and process charts;</li><li>4. Optimization of finished product and material inventories;</li><li>5. Balanced organizational management structure;</li><li>6. Increasing competitiveness through correct determination of the cost price of individual types of products;</li><li>7. Optimizing the credit portfolio;</li><li>8. Increasing the investment attractiveness of the organization.</li></ol>

Threats - T	<ol style="list-style-type: none"><li>1. Excess of costs over benefits received;</li><li>2. Disruptions in the work of the financial and economic sector due to inconsistency of actions;</li><li>3. The emergence of additional functions and responsibilities for employees involved in the process of building a management accounting system;</li><li>4. Social tensions associated with a possible redistribution of powers, dismissal of some employees, etc.;</li><li>5. Problems with the automation of accounting associated with the wrong choice of software;</li><li>6. Mistake in choosing a third-party consultant.</li></ol>
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From the data in Table 1 presented above, we see a model of SWOT analysis of the implementation of the management accounting system in the organization. With the help of analysis, it is possible to reveal the strengths and weaknesses of the organization, as well as opportunities and threats coming from outside, namely, in the process of attracting investors, sponsors and others in the course of the organization's economic activity.

Regulatory acts and documents define reporting as a system of interrelated indicators characterizing the conditions and results of the economic activity of an organization or its constituent elements for the base period. Reporting may contain quantitative and qualitative indicators in value and physical terms.

There are a number of requirements for the formation of an information base for analysis in

an organization. The main ones are: reliability of information, its objectivity, unity, efficiency, rationality, completeness, brevity, accuracy, confidentiality, comparability. We can consider the main stages of creating an information base for analysis in Fig. 1.

In the process of formation of the market economy, the management reporting of the organization is the main means of communication and the main element of information support of the analysis. Therefore, the management reporting should contain information about all processes occurring in the organization, cover the entire process of circulation of funds within the organization. From this we can conclude that the management reporting system should include: a report on finished goods stocks; a report on sales; a report on manufactured products; a report on purchases, etc.

Determining the volume, content and frequency of the analysis
Definition of methods for solving individual problems, system of indicators
Determination of methods for solving individual problems based on the adopted methodology
Elimination of duplicate information based on studying the relationship of analytical tasks
Determining the overall information needs for tasks

Fig. 1. Stages of creating an information base for analysis

## Efficiency of management analysis

Management analysis has one of the main differences from financial analysis, expressed by its ability to give an assessment for the future. But nevertheless, the methods of management analysis and financial analysis are the same. The issue of the content of management analysis, its place in the system of economic analysis began to be given more attention by academic economists (S. A. Boronenkova, M. A. Vakhrushina, T. P. Karpova, A. D. Sheremet).

During the study, in the process of analyzing literary sources, the presence of many methods for analyzing a particular area of the organization's activity was revealed. An algorithm for conducting a comprehensive management analysis for making effective operational and rational long-term management decisions was also identified and proposed. Figure 2 shows the sequence of conducting management analysis at an enterprise, which allows for a comprehensive study and evaluation of the results of activities.

Management reporting	
Forecasted data, trends	Factual data
Perspective	Retrospective
Analysis of production and costs of the enterprise	
Analysis of the results of the enterprise's activities and profitability	
Analysis of the efficiency of enterprise financial flow management	
Comprehensive assessment - score	

Fig. 2. Stages of conducting a comprehensive management analysis in an organization

Conducting management analysis in a given sequence will allow you to identify the problems of the enterprise, identify management errors and optimize the management decision on the enterprise's activities in the future.

A well-established management accounting system should serve as a reliable source of information for making operational and strategic decisions. The management of any enterprise must be provided with constant access to information on the actual cost of manufactured products. It follows that when choosing a costing system, the management aspect should be a priority, and the criteria may include the scale of production, cost structure, management needs,

and other parameters of the real situation in the organization.

In the management accounting system, the reporting system is an information base for conducting cost analysis. Management analysis by purpose answers questions about where, for what purposes and in what amounts resources are spent. It is necessary for calculating the cost of products in production, establishing centers of cost concentration and searching for reserves for their reduction.

Below we can consider a visual methodology for management cost analysis, using the information flows of the accounting system, which allows us to evaluate the efficiency of the organization (Fig. 3).

Stages of management analysis	Potential impact on costs
Analysis of the dynamics of production cost indicators	1. Minimization of cost price - identification of reserves for reducing the cost price of production; 2. Increasing the volume of production due to full use of the production capacity of the enterprise;
Study of the plan implementation and determination of the influence of factors on the change in costs per 1 sum of commercial products	Reducing production costs by increasing labor productivity, using raw materials, materials, electricity, equipment, reducing unproductive expenses, and manufacturing defects
Direct Material Cost Analysis	Minimization of material costs – determination of the reserve for reducing material costs for the production of the planned output of products through the introduction of new technologies
Direct Labor Cost Analysis	Minimization of labor costs - determination of savings in labor costs as a result of the implementation of organizational and technical measures
Indirect Cost Analysis	Minimization of indirect costs – determination of reserves for saving overhead costs. It is carried out on the basis of their analysis for each cost item due to reasonable reduction of the management apparatus, reduction of losses from spoilage of materials and finished products.

Fig. 3. Methodology of management cost analysis and main directions of decision-making based on the results of the analysis

The initial basis for making management decisions is the reserves for reducing the cost price identified during the analysis. So, let's consider the procedure for determining the reserves for reducing the cost price of the enterprise's products:

- increase in production volume due to full use of the enterprise's production capacity;  
- reduction in production costs due to increased labor productivity, economical use of raw materials, materials, electricity, fuel, equipment, reduction of unproductive expenses, and manufacturing defects.

**Conclusion.** The sources and analytical data of information during the implementation of procedures at each stage of the management

process are the accounting and reporting data of accounting. Since, as a result of the operational interaction of accounting and analysis, an accounting and analytical system is formed as a result of an in-depth study, a solution to the problem is presented, consisting of a presentation of issues on improving the theoretical and methodological aspects of the accounting and analytical system.

**1. Accounting and analytical system in this sense is a system based on accounting information, including operational data that are used for management analysis. The accounting and analytical system is built on the principle of chronology and systematization of collection, processing of data and formation of reporting**

**documents, starting from operational information and up to accounting balances. The need in this case is to preserve the integrity of the cost analysis, subject to thorough processing of information, i.e. to combine the process of processing information on the cost price of products with the decision-making process. In this case, the results and progress of economic activity, economic processes and the possibilities of influencing them by making management decisions at the enterprise will be assessed.**

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