

## SOME CONSIDERATIONS ON MANAGEMENT ACCOUNTING WITHIN COMMERCIAL ENTITIES

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### Abstract

*Traditionally, management has been primarily concerned with the selection among various alternatives and the subsequent decision-making process. Underlying this approach is the reliance on information furnished by management accounting. The current study delves into the distinct characteristics of business entities' operations and the informational needs of managers. Central to this discussion is the role of management accounting, which aims to steer managers in the formulation and execution of strategies, budgets, forecasts, and the like. The methodological framework of this research adopts a theoretical perspective, utilizing conventional research methods such as analytical, comparative, synthetic, inferential analysis, and bibliometric assessment to gauge the efficacy of research within the examined domain.*

**Keywords:** *accounting data; decisions; entities; management accounting; trade.*

**JEL Classification:** M41

### I. INTRODUCTION

The complexity of the socio-economic environment in a competitive market economy increases the role of accounting information in decision-making, on the quality of which the quality of current and future decisions depends (AFRL, 2017).

The management of any entity aims to make it perform well, and to this end focuses on achieving certain objectives: a high level of sales, a certain position on the market, a satisfactory result, attracting new customers/retaining old ones (Hlaciuc et al., 2022). Therefore, the failure or prosperity of the entity depends on the decisions taken by managers. In this approach, the managers rely on management accounting, which differs from financial accounting in the high degree of detail of information in decision-making.

In this regard, the Accounting and Financial Reporting Act No 287/2017 states that management accounting is a "system of collecting, recording, processing and transmitting information for planning, controlling and analyzing the entity's activity, for the purpose of preparing internal reports for managerial decision-making" (Accounting law, art. 3). Therefore, the aim of management accounting is to provide useful, relevant and timely information on the economic environment to help managers make appropriate operational and strategic decisions. There are also numerous tools such as the decision tree, the decision table, the dashboard and the balanced scorecard that can be adapted to management accounting in order to help streamline the entire decision-making process (Mihalciuc & Grosu, 2019).

In order to identify the particularities of the management accounting organization in commercial entities, it is appropriate to describe the commercial activity. Therefore, according to the Law on Domestic Trade No 231/2010, the trading activity is "the activity of the trader on the basis of one or more forms of trade, exercised separately or in combination, participating in the commercial circuit, through commercial units, including the provision of complementary commercial services" (Law on internal trade, art. 3).

The complexity of the activity carried out by commercial entities is meant by the fact that they do not have any production activities that require the collection and allocation of costs in order to determine the cost per product, which makes the object of management accounting focused on the determination of the cost of commercial activity by centres of responsibility, according to the needs of informing decision-makers on the results obtained and determining the influencing factors (Deju, 2006; Hilton & Platt, 2020).

*The purpose of the work is to identify the particularities of management accounting in commercial entities, as well as to highlight the informative needs of managers in commercial entities and the quality of information provided by management accounting.*

*The topicality of the subject derives from the perpetual need of entities to be aware of their costs, and information on the entity's consumption is the key factor in decision-making and/or planning future activities.*

Similarly, the topic is relevant as managers of entities are concerned not only with the entity's costs at the present time but also with the costs that will arise in the future, the level of which is the basis for decisions on supply, production, pricing and other policies.

The organization of management accounting is conditioned by the specific activity of supply and distribution of goods, the organizational structure of commercial entities, the concept of cost used in determining the results and performance of centers of responsibility, the system of economic and financial indicators for analysis and control of profitability (Deju, 2006). As a result, a basic requirement for managerial accounting is the existence of a solid cost information system capable of providing it with the required data (Hlaciuc, 2022).

**II. RESEARCH METHODOLOGY**

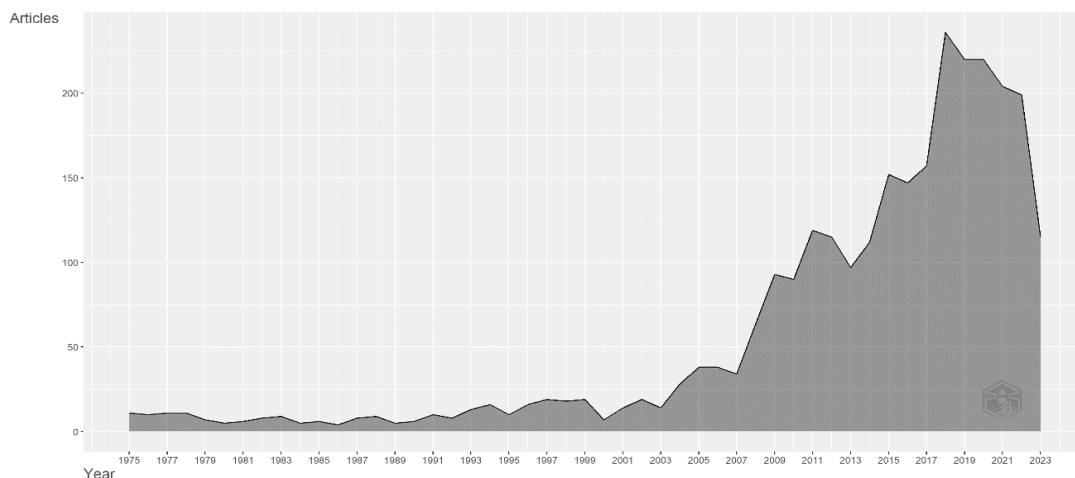
In order to elaborate a quality scientific work, the research results were obtained through traditional research methods, such as *the analytical method* (study of the literature in the field of management accounting), *the comparative method* (research in antithesis of the specifics of management accounting in manufacturing entities and their transposition through the perspective of commercial entities), *the synthesis method* (analysis and synthesis of information on the management of the economic goods circuit within commercial entities), *the analytical deduction method* (presentation of one's own opinion of the subject studied), *the bibliometric analysis* (use of the Web of Science and Biblioshiny platforms to identify publications relevant to the subject studied).

As methodological support for the research, the regulatory framework and literature in the field of management accounting, in particular, the accounting aspects inherent to business entities, were used. Therefore, following the analysis of bibliographic sources, the works of the authors were highlighted: Nederița, A., Hlaciuc, E., Mihaila, S., Bădicu, G., Bajorean, E., Popovici, A., Deju, M., Tabără, N.

In the same context, the focus was on the bibliometric analysis in order to obtain a quantitative analysis of the relevant scientific references in relation to the topic studied. By using bibliometrics it is possible to obtain an overview of current research trends (Tanasă (Brînzaru) & Cojocaru, 2022) and, at the same time, contributes to the development of new research directions within the analysed theme (Magnacca & Giannetti, 2023). Therefore, in order to highlight relevant scientific works in relation to the subject of the research, the Web of Science platform was used through the following research criteria: identification of the phrase "management accounting" in the subject of the publication, the results obtained were further interpreted with the help of the bibliometric analysis tool Biblioshiny.

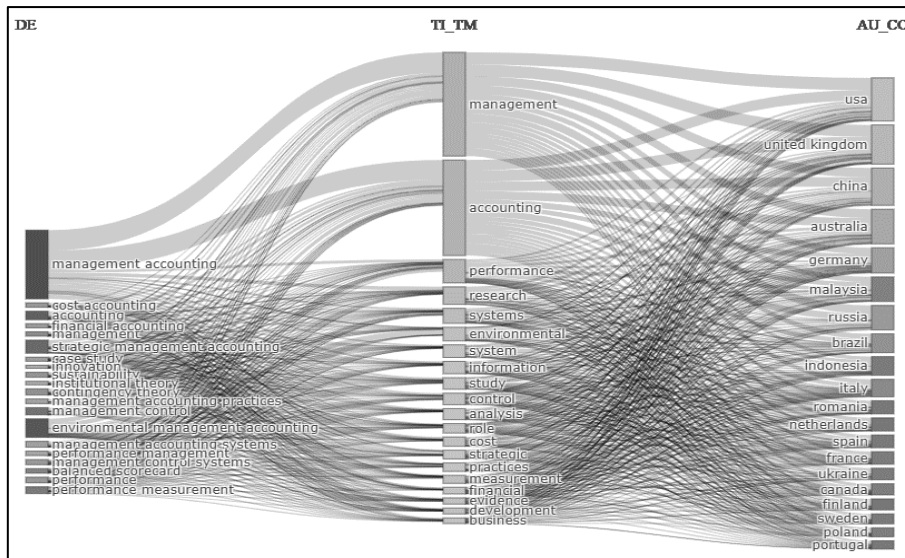
Accordingly, the screening identified 2,782 results from 1975 to date. The results show the total number of papers that have been published over time in 1,172 sources, with 83,863 references. Overall, most scientific works were published in the form of articles (1,634) and book chapters (106).

Figure 1 shows the variation in the number of scientific works published between 1975 and 2023, with an annual growth rate of 5.01%, indicating a steady increase in the number of works in this research area. Therefore, most publications are recorded in 2018, i.e. 236 publications. Also, there is a significant number of publications in 2019, 2020 and 2021, namely 220, 220 and 204. Similarly, in the period from 2014 to 2017 there are more than 100 publications and in previous years the number is decreasing, which shows that during the period under analysis, i.e. 1975-2023, there has been a rhythmic increase both in the number of publications and in the interest shown by authors in the studied topic.



**Figure 1.** Annual scientific output over the period 1975-2023  
Source: Elaborated by the author based on data obtained using the Web of Science platform, processed through the Biblioshiny visualization tool

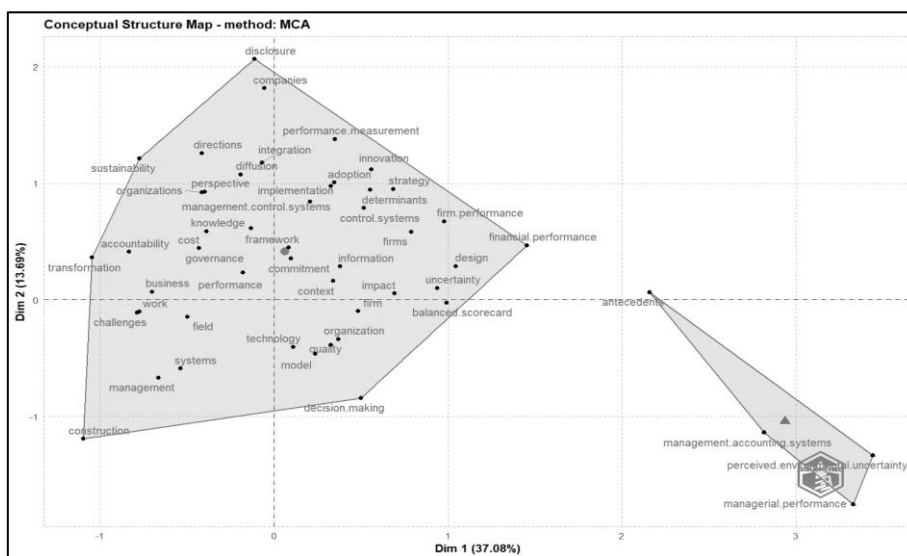
By analyzing the references of the identified scientific works, based on Figure 2 it can be concluded that the strongest links between the criteria "keyword-title-country" are found between the United States, United Kingdom, China, Australia and the keywords such as management accounting, cost accounting, accounting, financial accounting, management and others. As a result, the lines of research of the authors are shown through the terminology used in the titles of scientific works, words that set the tone of the whole research, so among the most used terms in the titles of scientific works are the words management, accounting, performance, research, systems, environmental, system, information, study, control, analysis, role, cost, strategic, practices, financial, etc.



**Figure 2.** Three-field map of merging scientific works based on criteria "keywords - title - country" between 1975 and 2023

Source: elaborated by the author based on data obtained using the Web of Science platform, processed through the Biblioshiny visualization tool

In terms of the content of the identified scientific works, Figure 3 presents the multiple correspondence analysis of high frequency keywords. The statistical method allows concentrating the data on scientific works published in the period between 1975 and 2023 in a low-dimensional space, creating a two-dimensional graph for visualizing the keywords used by the authors of scientific works. In this sense, keywords approaching the central point, i.e. the red dot in Figure 3, represent the epicenter of the authors' interest in scientific works.



**Figure 3.** High frequency multiple correspondence analysis of keywords identified in scientific works published between 1975 and 2023

Source: elaborated by the author based on data obtained using the Web of Science platform, processed using the Biblioshiny visualization tool.

In the process of identifying the scientific works dealing with management accounting issues in the context of trading entities, we added another research criteria, i.e., the identification of the terms "management accounting" and "trade" in the subject matter of the publications in the period 1975-2023.

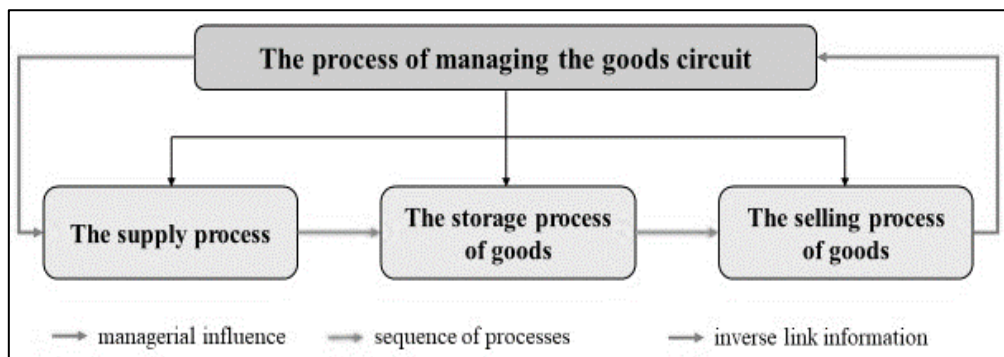
As a result, 46 published results were identified in 40 sources, based on 2,243 bibliographic references. The first scientific work dates back to 1992 and most publications are attested during the years 2016, 2022, i.e., 6 publications, as well as in 2015 with 5 publications. The fact that most publications are recently published is also explained by the average age of the scientific works which is 9.3 years, i.e. the majority of publications are recent and up-to-date. The most productive countries in terms of publication frequency on the topic studied are Russia, Germany and the United States of America, with 16, 15 and 9 publications over the period analyzed. To summarize, in terms of the content covered by scientific works, the main themes are related to the terms impact, strategy, corporate sustainability, information, accountability, performance, systems, control-systems, management, model, etc.

**III. RESULTS AND DISCUSSIONS**

Today, the economic environment is constantly changing and in the context of cost relevance, the information generated by management accounting must be used in certain circumstances to reflect the changing economic context.

In the case of commercial entities, managers need information, which allows them to track the quality, deterioration and obsolescence of goods, as well as losses due to thefts, the quantity in stock, the time of order renewal and actual demand. Obviously, managers need accounting information to exercise control over the turnover of goods. The information communicated by the management accountant facilitates the work carried out by managers in these entities on: budgeting, cash management, analysis of merchandise distribution expenses, preparation of internal reports, decision making on sales structure, special orders and staff placement (Bădicu, 2022).

The activity of commercial entities is based on a set of activities between manufacturers and consumers. Essentially, trading activity involves buying goods and marketing them for profit. Therefore, the circuit of goods in commercial entities is represented by the relationship: Supply - Storage - Sale. Figure 4 therefore shows the processes involved in the activity and management of a business entity:



**Figure 4.** The interdependence of processes within business entities

Source: elaborated and adjusted by the author based on Bajerean et al., (2018).

Based on Figure 4, it can be observed that the continuous management of the goods flow consists in the management of three processes, which constitute the technological chain of commercial entities, i.e. the supply, storage and sale of goods. Accounting must provide managers of business entities with true and transparent information on the progress of these business processes. By using this information, managers take appropriate decisions aimed at making processes more efficient (Bajerean et al., 2018).

The organizational structure of the trading entity includes an operating (operational) structure and a managerial (functional) one. The operating structure covers the activities carried out in the operational subdivisions, i.e. secondary activities (execution of work/services for the normal supply and unloading of goods) and administrative activities (internal transport, mechanization of loading/unloading, maintenance and repair of equipment subject to metrological inspection (scales, weighing scales, etc.)). The managerial structure refers to the activity divisions in which the general functions of the entity are carried out, i.e. management, commercial, financial-accounting, finance, marketing, administrative, etc. (Deju, 2006).

Therefore, both the activities carried out in the operational structure and in the functional structure generate costs, that added together constitute the cost of doing business. Therefore, cost accounting is a support for decision

making on the forecasting of resource allocation but also their use, therefore, the overall information must be divided into structures corresponding to centers created within the entity.

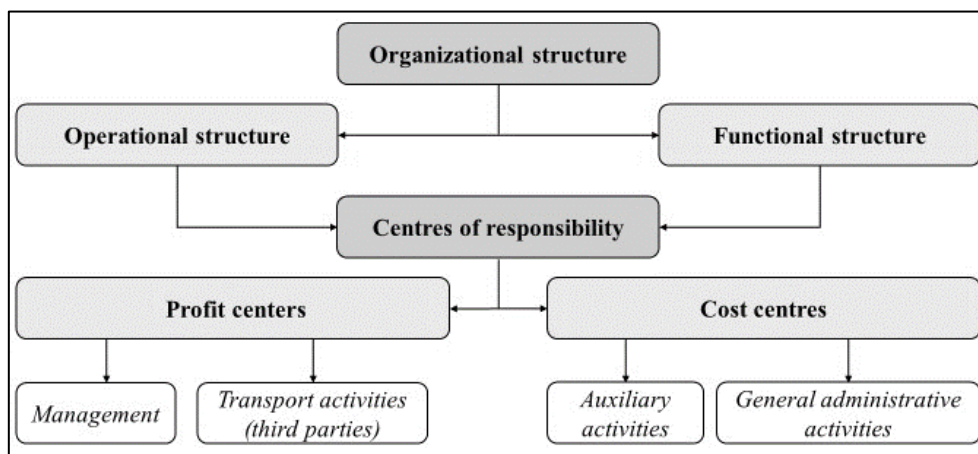
From an organizational point of view, these structures reflect interlinked responsibility centers. The principle of delegation of responsibility can be implemented at organizational level by defining responsibility centers, aligning the information system with the organization of the entity, using participative management, and reporting on performance (Bajerean et al., 2018).

The purpose of segmenting the entity into responsibility centers is to decentralize managers' tasks by delegating part of them to the heads of subdivisions and giving autonomy to the center managers in achieving the entity's objectives. In this context, the responsibility centers will influence the way of forming results, ensuring the implementation of managerial accounting policies, monitoring the movement of financial, material and human resources and evaluating the efficiency of the business by component elements and, as a whole, the entity (Bădicu et al., 2022).

A responsibility center is an organizational entity that has the capacity to negotiate objectives and has delegated authority over resources. Managers of responsibility centers of commercial entities have a better knowledge of local market conditions and customer requirements, in addition, the decision-making time decreases because information is available in short terms (Bajerean et al., 2018).

The trade activity can be carried out by forming responsibility centers. Managers of responsibility centers know the market and the customers' requirements, are interested in the choice of suppliers, the selection of goods, the distribution of goods. Therefore, managers will be able to obtain operational information that will allow them to analyze the costs incurred in the purchase, storage and sale of goods and to make informed decisions.

Accordingly, Figure 5 illustrates the template for structuring a business entity's activity by responsibility centers:



**Figure 5.** Template for structuring the trade entity's activities by responsibility centers

Source: elaborated and adjusted by the author based on Deju (2006).

Based on the connections illustrated in Figure 5, it can be distinguished that a *cost center* includes separate structural subdivisions or a specific area in which it is possible to calculate, plan and account the costs for the purpose of their supervision, control and management (Bădicu, 2022). Cost centers have the mission to provide products/services to the other centers at the lowest cost, within a given time frame and at a given level of quality (Tabără, 2009). Therefore, a cost center manager must be assigned within the entity who oversees a cost center and has the knowledge and skills to manage all the factors that influence costs throughout the economic goods cycle, from supply to marketing.

The *profit center* is also the structural subdivision of the whole entity responsible for the financial result of the current activity. By analogy, the profit center has a manager who is responsible not only for the cost attributed to economic goods, but also for sales, from which the revenue is generated, based on which the profit of the business entity will be determined. In this approach, to optimize the performance of the entity, the profit center manager must take decisions on the types of products sold, quality, price and distribution system.

To summarize, the division of business entities' activities into responsibility centers has several advantages, such as: the accurate division of types of costs and the assessment of the entity's real cost management situation, the autonomy of the entity's subdivisions and the reduction of information flow, as well as the assessment of the contribution of each responsibility center to the entity's profit.

**IV. BOTTOM LINE**

The present research focused on identifying the peculiarities of the economic activity of commercial entities, which consists of various processes: supply, storage and sale, through the perspective of management accounting. The information on the listed processes must be accurate, timely and of high quality as it is indispensable for both accounting and managerial purposes. To this end, the bibliometric analysis allowed the identification of current research directions and future trends, as well as the assessment of the research level of the chosen topic at international and national level.

Additionally, management accounting is an integrated system of autonomous accounting, i.e., an integration at the level of information basis and purpose of the components of the management process: analysis, budgeting, control, accounting and decisions, carried out through management, financial accounting and management accounting (Mihăilă, 2014).

The information obtained in management accounting is collected, grouped and studied in order to reflect, as precisely and truthfully as possible, the results of the activity and to determine the real contribution of the subdivisions to the overall results of the entity's activity (Nederita, 2000). Moreover, Quang Hung, Thanh Hoai, Anh Hoa and Phong Nguyen (2023) demonstrate that management accounting information contributes to improving the financial performance of companies, which increases the importance of using a proper management accounting system.

Therefore, the segmentation of the business entity's activity by responsibility centers allows giving autonomy to the center managers in achieving the entity's objectives. Thus, the information will be more qualitative and relevant, which will lead to easier decision making by business entity managers regarding suppliers, traded goods, prices and others. The efficiency of the decisions taken is reflected in the entity's results, i.e. the efficiency of the business entity's activity by minimizing costs and maximizing its profitability.

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