

## **The transformation strategy from financial accounting to management accounting in the new economy**

**Li Yarong**

Xi'an Peihua University, Xi'an, Shaanxi , 710100

**Keywords:** Financial accounting; management accounting; transformation

**Abstract.** In recent years, with the rapid development of social and economic level and the continuous improvement of competitiveness of various industries, traditional financial accounting has been unable to meet the needs of enterprises in the current social and economic market. As an important part of the economic growth and development of enterprises, financial accounting can create better economic benefits for enterprises only by combining the development of the times and taking management accounting as the goal of transformation. In this paper, it mainly analyzes the importance of the transformation from financial accounting to management accounting, and explores the path of the transformation from enterprise financial accounting to management accounting.

### **Introduction**

With the continuous expansion and development of large-scale group companies, the cross regional and multi-level business model has brought considerable economic benefits, but it has led to the repeated construction of accounting departments and the increase of accounting operation costs, resulting in the rigidity of organization, the difficulty of management and control, and the difficulty of enterprise management to make high-quality business decisions. As an innovative management mode, the Financial Sharing Center separates the basic accounting business repeatedly set up by each business unit, centralizes and unifies the processing, streamlines and standardizes the business process and accounting process within the enterprise, and lays a solid foundation for the accounting transformation of the enterprise.

### **The difference between the functions of financial accounting and management accounting**

Financial accounting is mainly based on accounting standards. Generally speaking, it refers to the economic management activities aimed at providing economic information such as the financial status and profitability of the enterprise to investors, creditors and relevant government departments who have economic interests with the enterprise through the comprehensive and systematic accounting and supervision of the completed capital movements of the enterprise. Financial accounting is an important basic work of modern enterprises. It provides useful information for decision-making through a series of accounting procedures, actively participates in business management decision-making, improves economic benefits of enterprises, and serves the healthy and orderly development of market economy. Management accounting, also known as internal analysis report accounting, is a term of management science. It is mainly a department set up separately for the internal of the company. Its main function is to strengthen the internal operation, scientific management and promote the economic interests of the enterprise. Management accounting, separated from the traditional accounting system and tied with financial accounting, is a branch of enterprise accounting. The main differences between the two are: management accounting analyzes and draws up relevant economic data reports, which are directly submitted to the senior management of the enterprise; financial accounting is always attached to the accounting standards, and needs to summarize the financial situation of the company, and report objectively Time to let other departments know the stage financial situation of the company. The effectiveness of management accounting is not limited to reflecting the past financial situation of the enterprise,

while the financial accounting function mainly focuses on accounting and supervising the financial situation of the enterprise, reflecting the actual economic data [1].

## **The path of transformation from financial accounting to management accounting**

### **2.1 improvement of thinking mode of financial management**

For a long time, enterprises pay too much attention to the work of financial accounting in the traditional financial management. At the same time, the relevant accountants are also affected by the ideology of financial accounting for a long time. The main time and energy are in the work of accounting, and the emphasis is on recording and reflecting. Therefore, in order to promote the transformation of financial accounting to management accounting, enterprises must first change the thinking mode of financial personnel, which requires financial personnel to think on the position of managers. In this way, the accounting personnel of the enterprise can better use the thinking of management accounting to apply it in the business management process of the enterprise, and lay a good foundation for the development of the enterprise [2].

### **2.2 change the focus of enterprise financial work**

There is a big difference between the focus of financial accounting and management accounting. To transform financial accounting into management accounting, for enterprises, it is necessary to gradually combine the work requirements and objectives of management accounting and change the focus of financial work. Under the application of Internet Science and technology, it is necessary to transform the processing and collection of various financial data information into the management and analysis of these data, so as to play the value of management accounting, so as to provide more efficient and accurate basis for the initial various business decisions of enterprises with the help of management accounting [3].

### **2.3 pay attention to the training of management accounting talents**

For the development of modern enterprises, the new financial personnel can turn the financial data center into a profit center, and make great contributions to the operation and management of enterprises. Therefore, enterprises should pay more attention to talents, recognize the higher standard of accounting talents in the new era, and increase the training of talents in combination with the standard. Enterprises should guide the way of thinking of financial personnel, let them keep up with the development of the times, form a more innovative thinking consciousness, make them constantly learn various new accounting knowledge content, and realize the importance of management accounting [4].

## **Case analysis**

### **3.1 case overview**

An enterprise is a large-scale state-owned communication enterprise in China, mainly engaged in mobile communication business, fixed line business, data communication business, communication facilities service business, network access business and satellite international special line business, etc. its communication network has covered the whole country and connected the world. An enterprise has branches in 31 provinces in China, even in many countries and regions abroad.

### **3.2 overall path of accounting transformation**

The transformation of case accounting can be realized from the construction of Financial Sharing Center through four aspects: process reengineering, efficiency improvement and cost reduction,

information construction and human resource construction. Accounting transformation can be realized from the construction of Financial Sharing Center through four aspects: process reengineering, efficiency improvement and cost reduction, information construction and human resource construction. The relationship between the four is: first, the information platform constitutes a strong technical support for the transformation of enterprise accounting, and information security is an important guarantee for the quality of accounting information. After the construction of information platform, accounting data can be standardized and programmed, data information and bill voucher can be transmitted in real time across regions, and process reengineering is possible. Secondly, reengineering process is a thorough reform of accounting institutions and a prerequisite for accounting transformation. Only when the process is changed, the work content and orientation of accounting institutions can be changed, and the function of management accounting can be realized. After the process reengineering, a large number of accounting personnel are liberated from the basic work, and the construction goal and training direction of human resources are changed. Fig. 1 and Fig. 2 accounting transformation path.

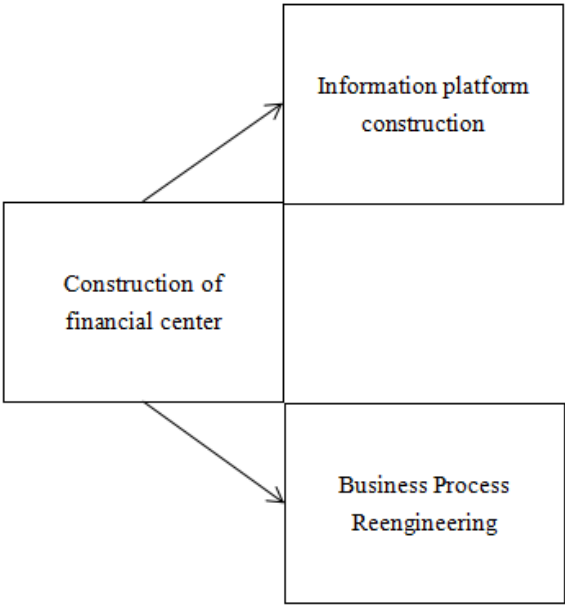


Figure 1 Accounting transformation path (a)

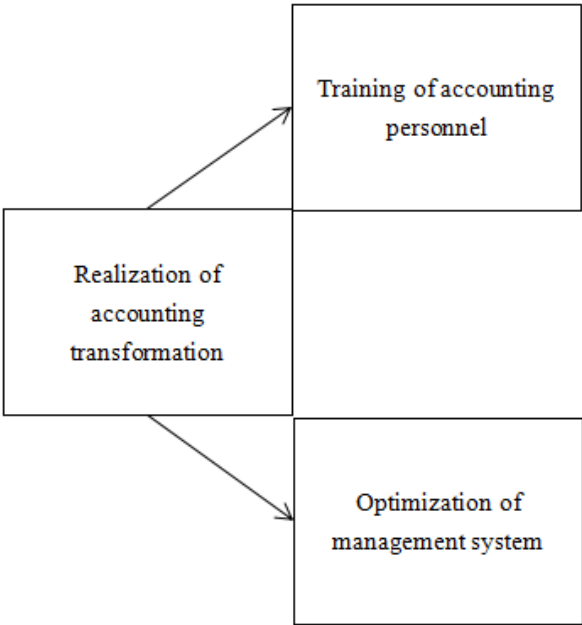


Figure 2 Accounting transformation path (b)

3.3 construction of Financial Sharing Center

The financial sharing center extracts and processes a large number of repetitive daily accounting and standard statutory and management reporting businesses from the enterprise, while the business unit and the company headquarters retain financial data collection and input as well as decision-making management accounting. The financial sharing center not only improves the scale, standardization and specialization of accounting work, improves the efficiency of daily business processing, and greatly reduces the cost, but also enables the enterprise management department and each business department to focus on the use of accounting information for analysis and decision-making and risk control. As the starting point of the whole accounting transformation path, the successful construction of Financial Sharing Center is very important. Figure 3 and Figure 4 show the function and construction process of Financial Sharing Center.

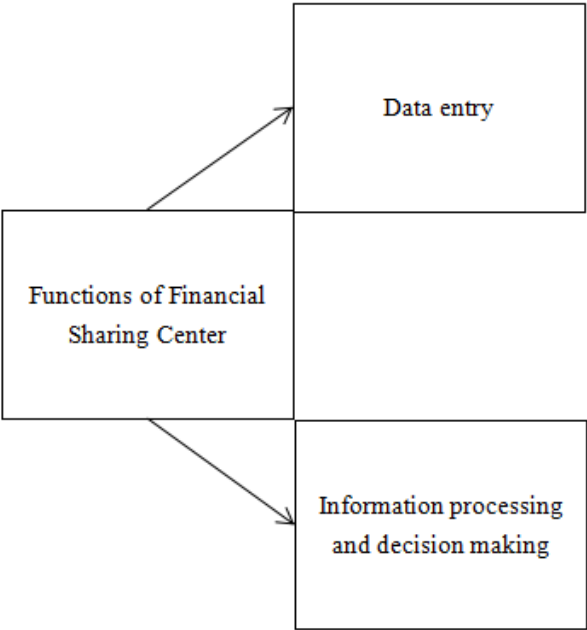


Figure 3 functions of Financial Sharing Center

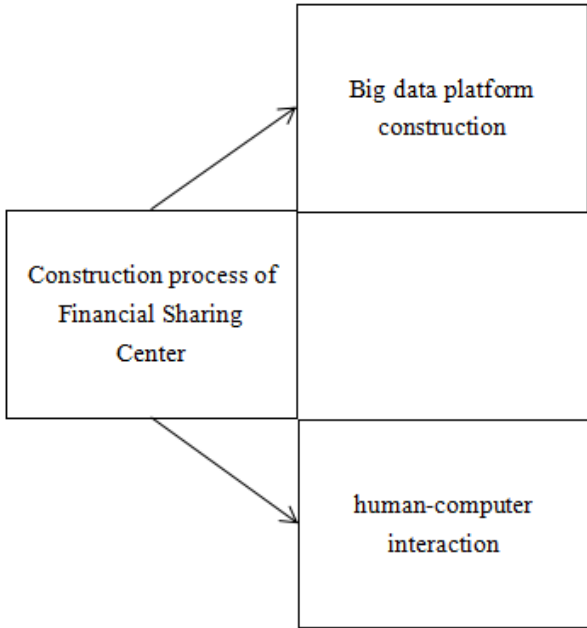


Figure 4 construction process of Financial Sharing Center

In addition, the construction of Financial Sharing Center in the case should pay attention to three key points, namely, the establishment of evaluation and process specifications, the determination of the content and scope of financial sharing, and the construction of supporting human resources.

(1) set up evaluation and process specification

The specification of the shared business process involves both the upper and lower end of the accounting business process and the accounting business process itself. The process specification process should not only consider the professional level and technical maturity of the responsible person, but also consider the matching degree of the calling resources. First of all, it is necessary to fully analyze and study the existing accounting business process, refine it to each link to thoroughly decompose the existing process from top to bottom, and standardize the process in combination with the actual situation of the enterprise. The process of refining and standardizing the shared business process needs the technical support of information system and interface platform. For example, the establishment of enterprise ERP system lays a solid technical foundation for a series of information-based guidance, such as workflow, database, enterprise network, e-procurement, etc.

(2) determine the content and scope of Financial Sharing

To select the content and scope of financial sharing business, we should first select the accounting business with high business repeatability, standardized workflow and sharing. Most of these businesses can achieve scale benefits and belong to the basic accounting work of a company, such as accounts receivable accounting, accounts payable accounting, general ledger accounting and asset management. After that, the scope of Financial Shared Services is gradually extended to management control and strategic accounting functions, such as budget, financial analysis, decision support, etc. For businesses that are not easy to be centralized and processed, and businesses that are not important, they can not be included in the business content of shared services [5].

(3) supporting human resources construction

In terms of personnel recruitment, the recruitment principles of business operators and management personnel are different: the key factors considered for the recruitment of management personnel include corporate cultural identity, professionalism, experience, communication ability, etc., which can be sourced from the principle of internal or the same industry priority, and external personnel should be considered properly; and business operators should consider more external recruitment to avoid external recruitment The risk of insufficient stability caused by personnel transfer due to the change of office location during internal recruitment.

## Conclusion

To sum up, if the enterprise wants to develop better and improve the influence of the market, it must combine with the needs of the times, strengthen the emphasis on management accounting, improve the traditional thinking of financial accounting, and cultivate more new management accounting talents. In this way, we can lay a good foundation for the sustainable development of enterprises in the new situation.

## References

- [1] Kelly J.Wendland,Matthias Baumann,David J.Lewis, 等 .Protected Area Effectiveness in European Russia:A Postmatching Panel Data Analysis[J].Land Economics,2015,91(1):149.
- [2] Crețu D.IMPACT OF THE PRINCIPLES OF FINANCIAL ACCOUNTING ON THE MANAGEMENT ACCOUNTING[J].2014,13(3):65-68.
- [3] Chan,James L.New development:China promotes government financial accounting and management accounting[J].Public Money&Management,35(6):451-454.
- [4] Rahman,Mohammad Azizur,Jalil,Md.Abdul,Ali,M.Ashraf.Transformation of arsenic in the presence of cow dung and arsenic sludge disposal and management strategy in

Bangladesh[J].Journal of Hydrology,518:486-492.

[5]Mohd Sidek,Noor Zahirah,Ali,Siti Meriam,Ismail,Mahazir.Proceedings of the ASEAN Entrepreneurship Conference 2014||From Information Provider to Value Creator:The Evolution of Management Accounting Profession in a Malaysian Case Study Organization[J].10.1007/978-981-10-0036-2(Chapter 18):193-203.