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## **CONCEPT OF MANAGEMENT REPORTING FOR EFFECTIVE INFORMATION SUPPORT OF MANAGEMENT DECISIONS**

**Abstract:** *This paper provides us with general knowledge of the concept of formation of managerial reporting in the process of application informational technologies.*

**Key words:** *Management Reporting, concept, informational technologies.*

### **I. Introduction**

Efficiency of business largely depends on the perfection of the economic mechanism that is adequate to the current economic conditions, the basis of which is analytical and accounting support for management decisions. Nowadays there exists a trend of reorientation of information support to meet primarily the needs of internal customers, which is yet insufficiently learned and usually ignores the global processes of market relations.

Management reporting, being specifically formed, becomes an important area of information support of management decisions.

The process of formation of management reporting becomes specially significant for the trade industry that is fast growing, possesses large volumes of data, because of the significant turnover, development of new forms of commerce, different types of calculations, various product range and specific activity in segments of industry.

### **II. Formulation of the problem**

The development of a market economy transforms modern trading company into increasingly complex information systems. The last are characterized by the specific individual information flows. To ensure manageability of such systems one requires new enhanced management reporting forms, which must have methodological and organizational argumentation and meet modern requirements of complex management tasks determination.

Management reporting as a basis for effective, efficient perspective and strategic decisions, should become a long-term trend of fulfillment of information needs of the customers. Yet reporting formation is time consuming regarding the informational aspect of the process. That is why application of new information technologies of information handling and generalization becomes more and more significant.

### III. The experimental results

Formation of managerial reporting in the process of application of information technologies is becoming an urgent task for the process of trading industry entities' management.

The conceptual basis of management reporting was regarded by scientists in their works, but some issues of industry specifics of managerial accounting and reporting formation, are still poorly understood. In particular, there remains the issue of architectonics of the management reporting formation in terms of centers of responsibility and principles of formation and application of management accounting in missing system design. Inefficient study of issues of conceptual elaboration of the formation of management reporting identified the necessity of this article.

The article aims to develop the concept of management reporting formation in the process of application of information technology in accounting.

Issues of rational accounting and analytical support of the interested customers with qualitative information is the demonstration of scientific knowledge about the management reporting through theoretical and empirical knowledge.

The problem exist primarily due to the complexity of accounting and reporting, as a science, based on the postulates of economic theory, philosophy, mathematics, logic, etc. On the other hand, reporting is constructed taking into account the practical activities of enterprises and meet the specific information needs of managers and other stakeholders.

Therefore, it is necessary to study the problems of managerial reporting formation in different directions. So we can identify the following main groups of problems of management reporting formation and based upon it information support of interested stakeholders:

1. Of theoretical content: development of the concept of pithiness, structure and reliability reporting showings.

2. Of applied content: addressness; the use of modern technologies for information processing.

The study of these problems will enable us to improve the process of information furnishing of customers basing on the determined conceptual principles.

The application of the accounting and analytical information obtained in accordance with the existing concepts of accounting and reporting, does not allow in the current economic conditions, systematically and betimes provide various users with the necessary database to make better managerial decisions within their competence.

It is necessary to direct modern entities on the application of modern flexible models of management, based on good, accurate, truthful information. To provide management with the data based on such parameters it is necessary to create and introduce a new concept of management reporting formation. Under the concept one understand leading idea of any theory that studies the strategy of implementation reforms, programs and plans. The components of concept of management reporting formation are complex mutual goals, objectives, principles, measures of organization

for the preparation of data for effective decision-making at various levels of management.

The basic direction of concept of management reporting formation taking into account the intensive development of information technologies of processing, summarizing and presenting data to users. Thus the construction of applied provisions of this concept foresees identifying the tasks that have to take into consideration the development of information technology in accounting:

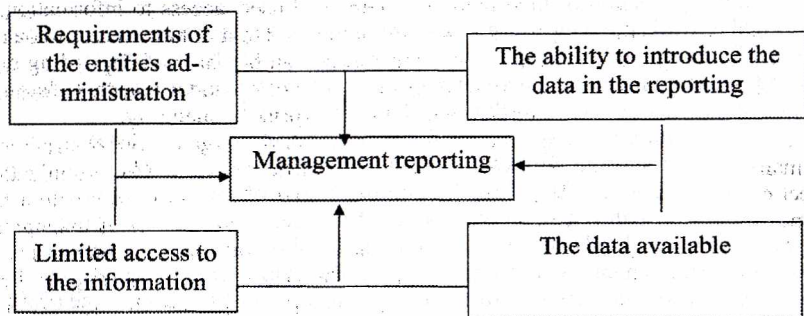
- Meet the information needs of managers, taking into account the consequences of decision-making in the current and long term;
- To reflect the relationship between economic factors and financial indices in making decisions by making clear and transparent the link between the stability of the business and its economic expediency;
- To ensure the format of reporting for systematic application in decision-making;
- Shift the emphasis in the calculation of indexes in order to measure business results from the general to the specific centers of responsibility;
- To reflect in the reporting maximum information used by CEOs for the current management purposes.

The conceptual basis of management reporting is based upon the epistemological constituent. On the first place in the conceptual essentials is the target of the object, studied on the basis of discriminant characteristic. In particular, foreign authors identify three types of management reporting, which have different purposes and goals of the formation and use:

- Information reports – designed to notify management about events;
- Reports indicators – information considered in terms of operation and serves to disclose economic indicators, the main of which is net income;
- Monitoring reports – for the control of the profit center manager activity accordingly to the correctness of his actions in comparison with predicted data [1 p. 531-532].

Examples of management reporting are reporting forms that reflect the activities of commercial companies – wholesale and retail, as well as activity of structural subdivisions – shops, warehouses and more. Management Reporting allows you to define analytical indicators and structure of the presence and movement of goods, the dynamics of earnings and other indices.

The determination of the generalized goal of management reporting formation based on the classification of management reporting. It is extended information provision to users accordingly to their requests for making effective management decisions. It is necessary to consider the needs of the enterprise's management, the ability to extract and group information available, taking into account various factors (Fig. 1).



**Fig. 1. The main factors influencing the management reporting formation**

The principles of management reporting are defined by the customers and different factors (academic, general, economic, general accounting, legal) that define the goals, objectives etc. Additionally, you need to take into account specific principles to be followed in the formation of management reporting, which should be assembled as the basis which need to be followed while the formation of any reporting and quality which describe the special features of managerial accounting.

The basic principles which should be used during preparation of management reporting include:

- the principle of periodicity – reflection of the period for which data are displayed;
- clearness – information must be understandable to people who possess a sufficient knowledge of business and accounting, as well as ready to scrutinize obtained data;
- Relevance and reliability – information can affect the decisions of users reporting. The relevance is determined by how essential the information, as well as by how timely it is.

Reliability is characterized by the absence of significant errors. The main limitations submitting relevant and reliable information are timeliness information that was provided late, lost its relevance, and cost-benefit ratio – the data should be presented only when the benefits exceed the costs of filing for its use.

- Comparability – information must be prepared on a consistent basis from one reporting period to another and can be matched with the appropriate information of the company for the previous period or the equivalent data of another company/enterprise division.

Qualitative management reporting principles are characterized by the following principles:

- the principle of utility and sufficiency of information, which means that the presented reporting will contain an optimal volume of data for a particular user;
- the principle of targeting implies that prepared report should be used by the specific consumer-customer of the specific information provided;
- the principle of individuality implies that prepared reporting should be focused upon determination of specific tasks (problems), such as lack of funds on the account simultaneously with a large amount of earnings;

- Authorization principle associated with the formation of management reporting in the process of application of information systems and user's access to information. Reports should be available only to users who are authorized to it or have access to data;
- flexibility and structuring – reporting format can be changed depending on the goals and needs, management reporting system can not be under constant changes, it can only change discretely when the line of the enterprise is changing.

Another important component of the concept is the organizational structure of the management reporting formation, as the scientific element. The organizational aspect of the concept should reflect the optimal stages of measures to create a management reporting with regard to the results of its use. Organization of management reporting formation should be considered at the level of implementation and level of application. Arrangements while implementing the management reporting at the enterprise should take place step by step and solve specific tasks at each stage (Table 1).

**Table 1 – Conceptual and organizational stages of management reporting**

Stage title	Stage task	Stage result
Stage 1 Diagnosis of the current status of management reporting system of the entity	Introduction of economic activity of the enterprise, determination of the current state of management reporting system and its compliance with management needs.	Report on the results of diagnostic of the current state of management reporting system of the enterprise; Concept that reflects the principles of management reporting system.
Stage 2 Developing of the regulatory and methodological framework, which is the basis for the further construction of the management reporting system.	The main objective of this phase is the development of the methodological and regulatory materials that accompany the management reporting system.	Interconnected system of indices of management reporting which include description of analytical dimension of each indicator, as well as the frequency and method of its calculation; reporting system according to IFRS; Formats of presentation of management reports of the activities of departments and enterprise in general; Model of development and analysis of management reporting.
Stage 3 Design and regulation of management reporting system of the enterprise.	The main objective of this phase is to design the process of formation, approval and analysis of the management reporting. At this stage, the formation of the organizational structure and functions of the actors involved in this process is taking place.	Regulating documents: Regulations and schemes of the core functions of the process of formation, confirmation and analysis of management reporting, record-keeping schedule, manual regulations; Regulation on management reporting of the enterprise.
Stage 4 Automation of management reporting system of the enterprise	The main objective of this stage is automatization of the management reporting system and its maximum integration into the system of financial management of the company. It can be done in several versions, depending on the financial capacities and the condition of existing automated accounting systems as well as business planning.	Option 1. Adjusted and integrated into the management reporting system software that is currently used by the entity.  Option 2. Implementation of a new information system that clearly meets the needs of enterprise in the process of management reporting formation.

These steps take into account the application of the information technology in the process of management reporting formation. It is necessary to consider the requirements to the software specification developed for the automation system as well as testing the stages of introduction of management reporting system in the enterprise. Such conceptual approach to the creation of the system allows consistently settle package of measures that arise when introducing management reporting system at the entity.

#### IV. Conclusions

Thus, management reporting in the system of management is that component, which provides the opportunity quickly and with a high level of degree of detail to be informed about the progress of the company in all its aspects. Conceptual Basis of management reporting formation should contribute greatly to satisfy information requirements of the management basing on its phased preparation in the process of information technologies applications. With the formation of management reporting to solve the problems of theoretical and practical content that are characterized by information support of the company management should be solved.

Preparation of management reporting needs to be in compliance with basic and quality principles of management reporting in the process of application of the informational technologies. Basic principles of management reporting formation are based on consideration of informational technologies development. Qualitative principles of management reporting formation are based upon the practical application of management reporting of the entity.

Conceptual and organizational stages of management reporting formation at the enterprise are characterized by complexity and should consider the possibilities of accounting in modern informational systems.

It is expected that as a result of the application of the main issues of the proposed concept the quality and efficiency of the formation of management reporting system formation as a basis for making effective management decisions will improve. Further development of the concept should be focused on the practical implementation of the principles of reporting basing upon algorithms of specific reporting indicators calculations regulations of data which is gathered for reporting' preparation.

#### Literature

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