

# A Brief Analysis of the Transition from Financial Accounting to Management Accounting Under the New Situation

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**Abstract**—With the rapid development of economy, all walks of life have made a spurt of progress. In order to adapt to the development, enterprises must improve all aspects of management. And one of the most important things is to transform and upgrade the traditional financial management model. The transformation from financial accounting to management accounting is not only the need of enterprise management, but also the need of the development of accounting industry under the new situation. By comprehensively and thoroughly grasping the differences and connections between financial accounting and management accounting, this paper will expound the necessity of the transformation from financial accounting to management accounting under the new situation, find the challenges faced by enterprises in the process of accounting transformation, and put forward feasible strategies to promote the transformation from financial accounting to management accounting. It will contribute to improve the financial management ability and core competitiveness of enterprises in an all-round way.

**Keywords**—new situation; financial accounting; management accounting; transition

## I. INTRODUCTION

In recent years, with the development of economy and technological progress, the world has gradually entered the period of economic transformation. The rapid changes of science and technology have had a profound impact on all sectors of society. In his report to the Nineteenth National Congress of the CPC, President Xi Jinping clearly pointed out that it is necessary to implement new development concepts, actively promote the deep integration of Internet, big data, artificial intelligence and real economy, and speed up the construction of a modern economic system. President Xi attaches great importance to the important role of new technology in economic and social development. Under the impact of the new technology wave, the whole accounting industry is facing unprecedented changes. The conventional mode of accounting management can no longer meet the requirements of the development. So, it is necessary to achieve the transition from traditional financial accounting to management accounting. Emerging technology has brought unprecedented impetus to the transition of enterprise

financial management. Nowadays, the application of big data, artificial intelligence and mobile Internet makes the boundary between financial accounting and management accounting more and more blurred; the transformation between them is the new development path of accounting industry. As the development trend of accounting industry in the new era, management accounting is not only an economic behavior to adapt to the development, but also a need for the survival and development of the financial accounting industry itself in the context of the new technology era. Enterprises and relevant accounting practitioners should attach great importance to the development of management accounting, try their best to promote the transformation from financial accounting to management accounting, and constantly promote the development of China's economy and society.

## II. SUMMARY OF FINANCIAL ACCOUNTING AND MANAGEMENT ACCOUNTING

### A. Financial Accounting

Financial accounting, also known as external reporting accounting, usually exists in enterprises in the form of monetary measurement. It can confirm, measure and report transactions or related matters that have occurred in the past, and eventually generate financial statements. The main function of financial accounting is accounting and supervision. Financial accounting can provide information users such as shareholders, creditors and government authorities with the financial status and profitability of enterprises to meet the cognitive needs of all parties for the economic development of enterprises. It carries out economic activities, accounting supervision and issuing financial reports around the amount of profits. Its work results are not only a barometer reflecting the operation status of enterprises, but also an important basis for standardizing enterprise behavior and improving enterprise transparency. The information provided by financial accounting is helpful for investors and creditors to make decisions, for managers to formulate assessment objectives, and for enterprises to strengthen management and improve economic efficiency.

### *B. Management Accounting*

Management accounting, also known as internal reporting accounting, refers to the process of confirming, measuring, accumulating, analyzing, processing and transferring information used by management for planning, evaluation and control within a company. Management accounting is separated from traditional work. It is not only an act of collecting and providing information, but also an accounting method for analyzing economic behavior. It uses a special calculation method, through the analysis of relevant data, to provide business plans for enterprises, and to control the actual economic activities, so as to enhance the operating profits and bring greater economic benefits to enterprises. In the process of accounting economic development, management accounting plays an important role in modern enterprise management activities. From the core content of management accounting, it creates and maintains the value of enterprise economic activities. In today's new technology era, the application of management accounting in corporate management is at a critical turning point; it is urgently needed to constantly summarize and improve, and form a unique theory and method system of management accounting.

### *C. Similarities and Differences Between Financial Accounting and Management Accounting*

As far as enterprise financial management is concerned, financial accounting and management accounting are just two important branches of enterprise accounting. They have the same goals, the same accounting objects and similar data sources. They complement and influence each other and form an organic whole of modern enterprise accounting system. Of course, they also have many differences. Firstly, the object of service is different. Financial accounting is mainly for all stakeholders outside the enterprise, providing the required financial information for the users of external information, while management accounting is for all stakeholders inside the enterprise, focusing on providing the necessary financial information and management advice for the management to improve their business conditions. Second, the focus of the work is different. Financial accounting usually analyzes what has happened; it can realize the summary of the past management level of the enterprise, while management accounting predicts the future of the enterprise and participates in the enterprise planning by analyzing the historical information. Third, the procedures and methods are different. Compared with financial accounting, management accounting is much more flexible in the application of laws and rules. It can adjust the work flow at any time according to the changes of the environment, and there are many different forms of results. Finally, they pay different attention to the internal impact of the enterprise. Financial accounting mainly records and controls the company's operation through accounting standards, and pays little attention to the impact of management process. However, management accounting pays more attention to the impact of management process on the behavior of enterprise departments and employees.

## III. NECESSITY OF TRANSFORMING FINANCIAL ACCOUNTING TO MANAGEMENT ACCOUNTING

Financial accounting plays a decisive role in the process of enterprise development. With the continuous development of social economy, both the internal and external business environment of enterprises has undergone tremendous changes, and the demand for management accounting functions such as prediction, control and evaluation has become increasingly prominent. Financial accounting is bound to transform to management accounting.

### *A. Personal Development Needs of Accountants*

In recent years, with the rapid development of information technology, new technologies and new products such as big data, cloud computing, artificial intelligence emerged in endlessly. These new technologies, especially artificial intelligence, have been gradually applied in all walks of life. They have also been applied to the accounting industry. Deloitte Financial Robot launched by Deloitte Accounting Firm on May 28, 2017 marks the arrival of the era of financial artificial intelligence. The application of artificial intelligence in the field of financial accounting has begun and will have a far-reaching impact on the financial accounting industry. Financial accounting work is to confirm, measure, record and report all kinds of economic events that have taken place in enterprises. Because most of the operations in this part have the characteristics of standardization, and mechanization; this part of work can be handled by financial robots in the era of artificial intelligence. The application of artificial intelligence technology can realize financial intelligence and automation. Most of the work of financial accounting can be accomplished by financial robots. Therefore, many junior accountants are facing the risk of unemployment, and financial accountants are faced with enormous pressure and challenges. In this case, financial personnel must be transformed and upgraded, improve themselves in an all-round way, and transform from financial accounting to management accounting.

### *B. Needs of Enterprise's Self-development*

With the advent of economic globalization, enterprises are facing increasingly complex economic environment and increasingly fierce market competition, new management methods and concepts are constantly updated. For most enterprises, financial accounting still occupies the main position and has gradually been difficult to adapt to the needs of global competition. The reasons are as follows: first of all, accounting is still the work of most accountants, which leads to the inefficiency of financial personnel and the inability to carry out complex business management activities. Secondly, financial accounting mainly reflects the economic business that has actually happened in the past; it is a kind of post-evaluation; and there is no pre-planning and in-process control of the economic activities of enterprises; financial work can only play a limited role in improving the efficiency of enterprise management. Third, the combination of financial accounting and business departments is not close enough to play a guiding role in the development of business. In contrast, management accounting focuses more on serving

the internal users of enterprises. It emphasizes the impact on the future, can effectively play the role of financial forecasting and planning, optimize the allocation of enterprise resources, and help enterprises to improve the scientific nature of economic decision-making. Management accounting meets the needs of enterprise internal management; so the transformation from financial accounting to management accounting is the only way for enterprise operation and development under the new normal economy.

#### *C. The Inevitable Trend of Modern Accounting Development*

Nowadays, in the era of information explosion and big data, a large number of data are generated so that it requires financial management to collate process and analyze to provide more timely and effective information, which will help to find potential opportunities and risks in the market or enterprises. The computerized functional accounting is more suitable for the competition of enterprises in modern society, and management accounting is capable of this role. Business planning of enterprises requires management accounting to collect information and analyze resources continuously, to help enterprises grasp a lot of relevant data of accounting activities, to save workers' costs and workload as much as possible and to play the role of management accounting in big data, this is far from comparable to financial accounting. Moreover, with the improvement of market economy, enterprises have been deepening their understanding of accounting functions. Accounting function is not only the reflection and supervision of enterprise business, but also the control, prediction, planning and analysis. In economic activities, there is a large number of financial data and non-financial data for enterprises to collate and analyze, so that the functions of enterprise accounting can be fully developed, the participation of financial departments in enterprise management can be enhanced, and enterprises can make correct decisions in related issues. Only by this way can enterprises develop steadily and improve their economy benefits in the face of competition and risks under the new market situation. Therefore, the transformation from traditional financial accounting to management accounting is the inevitable trend of modern accounting development.

### IV. CHALLENGES IN THE TRANSITION FROM FINANCIAL ACCOUNTING TO MANAGEMENT ACCOUNTING

The arrival of the new technology era has brought not only opportunities but also challenges for enterprises. The challenges faced by enterprises in the process of transforming from financial accounting to management accounting are mainly manifested in the following aspects.

#### *A. The Concept of Financial Management Is Backward*

Under the new situation, the obsolete concept of enterprise financial management is the fundamental problem. Many enterprises' financial accounting work is still limited to the recording of economic events, data collection, accounting, and statement preparation and so on. The financial department is already tired of dealing with the financial

accounting work, and has no spare time to consider the transition to management accounting. Financial staffs are lack of initiative in their work, and only after orders are given by their superiors can they carry out relevant work. Especially, some old-fashioned financial staffs are seriously lack of awareness of hardship; they do not take the initiative to learn advanced financial management methods and techniques, and think that what they should do is just to keep financial information properly. Both the head of financial department and the leader in charge of financial work fail to instill management accounting concept into the whole leadership. Other members of the leadership think that accounting is based on accounting and needn't to participate in management. Management responsibility is the fundamental responsibility of enterprise managers. They do not understand the functions of management accounting, do not know the advantages that management accounting can bring to enterprises, do not know enough about management accounting and pay insufficient attention to it. Without the support of the leadership, the transition from financial accounting to management accounting will be just empty talk.

#### *B. Enterprises Are Divorced from Reality in the Process of Transition from Financial Accounting to Management Accounting*

In the process of transformation from financial accounting to management accounting, many enterprises just change in form but not in content. After the transformation, management accounting and financial accounting are not much different in content and function; so the significance of transformation is not obvious. In September 2017, the Ministry of Finance issued *the Guidelines for the Application of Management Accounting*, which effectively regulates how to carry out financial transformation. Some enterprises under the headquarters of state-owned enterprises have also carried out special discussions and learning, formulated the outline for the development of management accounting of group companies, and the subordinate enterprises have formulated their own development plans according to the requirements of headquarters. However, many enterprises just try to deal with the inspection of their superiors; they do not put management accounting into practice; and they are still following the old road of financial accounting. Some enterprises, regardless of their own actual situation of accounting personnel, transfer most of the financial and accounting personnel to management accounting posts, and treat them differently in terms of employee benefits and development space, this kind of behavior leads to the weakness of financial accounting force, the weakening of accounting and supervision, and the decrease of the enthusiasm of financial accountants. At the same time, those who transfer to management accounting posts are also difficult to play its due role in the position of management accounting due to the limitation of experience and ability.



### C. *Information System Is Backward and Application of New Technology in Financial System Is Not Well Understood*

The perfection of financial information system mainly depends on the perfection of enterprise management concept, management mode and business process. Many enterprises' department management is imperfect; there are loopholes in management measures. For example, the performance of accounting software is not perfect; the standardization and practicability are not acceptable; the financial information system needs to be upgraded urgently and so on. In fact, the upgrading of financial information system is complex and cumbersome; influenced by many factors, the system is still in the technical level and gradually close to management accounting; it is doomed to be a long process. At the same time, enterprises lack sufficient understanding of the application of new technology in the financial system. Most small and medium-sized enterprises think that their enterprises are small in scale, small in income and single in business. They don't have to apply scientific and technological achievements such as big data technology and artificial intelligence, or even management accounting. Some enterprises think that new technologies require a lot of manpower, financial resource, and material resources investments to purchase equipment, technology, professional consultancy services, etc.; and even if they adopt new technologies, they may not be able to achieve good results. As a result, they are reluctant to invest in it. To a large extent, these conditions restrict the transformation from financial accounting to management accounting.

### D. *Finance and Business Are Not Effectively Combined*

The data analyzed by management accounting is not only the data collected and collated by financial accounting, but also the business data of other departments, these data should be real-time. However, there is a common phenomenon in enterprises is that finance and business are not effectively combined. The lack of collaboration among departments, the failure of business departments to give strong support to financial departments, the inability of data in ERP system to truly reflect the actual situation of enterprises, the formation of data islands among departments, the ineffective combination of financial data and business data, and the inability of management accounting to comprehensively analyze the required enterprise data, etc. are the same problems in enterprises. Because of the above problems, enterprises cannot effectively reflect their actual operating conditions, and the role of management accounting is difficult to play.

### E. *The Lack of Compound Professionals*

The composition structure of accountants in our country is slightly complicated. On the whole, the ability of accountants does not meet the requirements of the development, which impedes the transformation from financial accounting to management accounting and restricts the development of enterprises. The emergence of artificial intelligence technology undoubtedly puts forward higher requirements for the knowledge structure and the ability of financial personnel. The demand of enterprises for strategic,

technical and compound financial personnel is increasing; only by mastering advanced information technology and cross-professional talents with block chains and Internet can such personnel be better qualified for post work. How to let financial personnel participate in business management, familiarize themselves with business processes such as production, acquisition and sales, and achieve the deep integration of Finance and business is also an urgent problem for enterprises in the era of big data.

## V. STRATEGIES FOR THE TRANSITION FROM FINANCIAL ACCOUNTING TO MANAGEMENT ACCOUNTING

Traditional financial accounting has been unable to meet the requirements of the development of enterprises in the new technology era. It is the general trend for financial accounting to transform to management accounting. How to achieve a good transition from financial accounting to management accounting in the actual financial practice is a problem that all enterprises are thinking about. Under new situation, the transformation can be achieved mainly through the following measures:

### A. *Establishing the Idea of Management Accounting and Deepening the Management System*

With the development of technology, the focus of accounting function has shifted to management. In order to achieve the transformation from financial accounting to management accounting smoothly under the new situation, enterprises need to strengthen management from the ideological aspect. They should carry out accounting education work in time and enhance the overall role of accounting, and make accounting management up to enterprise strategic management. Managers and financial personnel should be aware of the importance of management accounting work. As managers, on the basis of fully recognizing the importance of management accounting, they also need to increase publicity, so that employees in enterprises can realize the importance of management accounting, and actively cooperate with financial personnel to complete the functions of management accounting, which will provide a good external environment for the transformation of enterprise financial accounting. At the same time, under the background of big data, the transformation of enterprise from financial accounting to management accounting cannot be separated from a feasible system. Enterprises should comprehensively grasp the transformation requirements and tasks on the basis of integrating theory with practice, optimize the relevant management system that has been built, and standardize and guide the transformation work.

### B. *Improving the Combination of Theory and Practice*

The application of management accounting asks to strengthen the study of theory. It is necessary to combine theoretical content with practical content, and try our best to establish a management accounting system with Chinese characteristics. For enterprises, the application of management accounting needs to be deeply combined with the development of enterprises, which will make the research

of management accounting more pertinent and purposeful. In the process of development, enterprises are required to create a theoretical system with advanced and scientific characteristics and which can explain and guide practice, and can be also accepted by practice. In addition, as human resources is one of the most valuable resources, enterprises should fully consider the actual situation of financial personnel and make a good human resource planning. In a word, only by combining theoretical content with practice can management accounting play a better role.

#### C. *Strengthening the Construction of Information and Improving the Application of New Technology*

Information construction is the most important part of the construction in the new era. Firstly, what enterprises should do is to provide a relatively stable and safe operating environment for management accounting. Then, according to their own operating characteristics, combined with the personalized transformation of information systems, they should carry out targeted system construction and perfect operation. At the same time, they need to introduce qualified personnel to continuously inject vitality into the information construction of enterprise financial management. Only in this way can it drive the development of the whole team. The development of management accounting also requires the support of new technologies. Applying artificial intelligence technology to accounting management can save a lot of manual work and liberate financial personnel from their daily basic work; and it has strengthened the pace of development of management accounting. In addition, the introduction of big data technology into enterprise accounting management can help accountants more accurately grasp financial information data, and make a scientific and rational analysis; it is helpful for laying a good foundation for the next decision-making work. Expanding the application of new technology can promote the transformation of enterprise accounting from original re-accounting to re-management, and effectively improve the level of enterprise accounting management.

#### D. *Building the Financial Sharing Service Center*

Against the background of information age, it is of great significance for enterprises to construct financial sharing service centers for clearly dividing financial accounting content and management accounting functions. As far as the current situation is concerned, many enterprises' financial sharing is reflected in financial accounting and decision-making. The construction of financial sharing service centers can free most accountants from the tedious and repetitive work, improve the efficiency of financial work, promote the transformation of enterprises to business finance and financial management decision-making, and enhance the professional management of finance and business decision-making support. Moreover, the scope of accounting work is relatively large, and the liquidity of funds is very strong; if there are no effective communication and coordination among the various departments within the enterprise, it will easily affect the normal operation of the enterprise. So, it is time to construct one financial sharing service center to

strengthen the communication among the heads of various departments.

#### E. *Improving the Comprehensive Quality of Financial Personnel*

At this stage, the demand for basic financial personnel has been gradually met, but there is a lack of financial personnel with complex capabilities. With the application of artificial intelligence technology in enterprise accounting, the work of basic financial accountants will be replaced by financial robots; so the demand for basic financial personnel will be less and less, and the demand for new management accounting talents will be more and more. In this situation, it is necessary to constantly improve the overall quality of financial staff. In practice, the following measures should be taken: Firstly, the education and training of accountants should be strengthened. Enterprises should integrate the knowledge of management accounting into their usual training so as to broaden the horizon of accountants and train accountants with modern management ability. Secondly, according to the characteristics of financial work against the background of big data, it is necessary to organize thematic training, such as big data technology and cloud computing technology; in this way, financial staff can master information technology in time, continuously improve their application ability and improve the level of financial management. Last but not the least, enterprises should establish performance appraisal mechanism related to training mechanism, so as to enhance the enthusiasm of financial personnel to participate in training and improve the training effect.

### VI. CONCLUSION

In summary, against the background of the new era, the external environment of enterprise management is constantly changing. If enterprises want to remain invincible in the fierce market competition, they must strengthen internal transformation, attach importance to the transformation and upgrading of enterprises, and adapt to the level of social and economic development. Management accounting is an accounting concept that conforms to the trend of development of the times and is also a management mode of accounting renewal. Management accounting can inject new vitality into the accounting industry, bring new upgrade and vitality to the development of social economy, and provide strong guarantee and support for the development of enterprises. It has extremely far-reaching significance for the development of enterprises and affects the renewal of the accounting industry. Therefore, the transformation from financial accounting to management accounting should be realized as soon as possible.

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