

Based on the New Era of Financial Accounting Transformation Strategy Research

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Abstract

As China's market economy has developed, there has been a notable shift in the nature of industrial competition, with an increasing number of cases moving from the blue ocean to the red ocean market. In order to survive in the harsh environment, enterprises must adopt an innovative approach and adopt a more beneficial management attitude. This will improve the internal management level of enterprises and enhance team coordination ability. This is an important issue for many enterprises in the current context. The manner in which ideas are conceptualised will determine the most appropriate course of action. In order to enhance the internal management level of the enterprise and the ability of team coordination, the financial department has undergone a transformation from a traditional supervisory and accounting department to a partner of the business department, a core management function within the enterprise, and a catalyst for improved team coordination. In order to achieve this strategic objective, it is necessary for a number of parties to work together. This paper examines the circumstances and potential solutions for achieving this goal from multiple perspectives, and proposes six core competencies that an effective enterprise management accounting system should possess. Furthermore, the government is encouraged to prioritise the training of management accounting and establish a professional title system for the evaluation of management accounting proficiency. While opinions on the optimal training methodology for management accounting in higher education institutions vary, the necessity for innovative training approaches remains a crucial topic. To optimise the financial accounting management mode, a collaborative approach is essential, engaging all relevant stakeholders.

Keywords

Financial accounting, management accounting, transformation management.

1. Introduction

China's economy has undergone significant expansion over the past three decades, following the implementation of reforms and the opening up of the country's economy. During this period, the strength of enterprises has witnessed a notable enhancement. However, it is observed that a considerable number of enterprises continue to adhere to a traditional management approach, characterised by a reliance on manual control. China's market economy has undergone a period of rapid development, progressing from 0 to 1 and then from 1 to 2. However, the decision-making processes of many enterprises continue to be shaped by the experience and intuition of their founders or core managers. This can result in decisions being made without sufficient evidence or analysis. The current popular saying, "The money that was earned by luck in the past is now lost by strength," reflects a prevalent perception that past successes have been undermined by current shortcomings. This suggests a need for a paradigm shift in how enterprises approach financial accounting. The author proposes that a promising avenue for

transformation is the rapid transition from enterprise financial accounting to management accounting. However, this shift should not be viewed as an end in itself. Instead, its primary objective is to address the practical challenges encountered during business operations and facilitate enterprise-wide improvements in management capabilities.

2. The Difference and Relation between Financial Accounting and Management Accounting

2.1. The Difference between Financial Accounting and Management Accounting

2.1.1. The Focus of the Work is Different

There are notable distinctions between financial accounting and management accounting with regard to the nature of the work involved. Financial accounting is a relatively routine function, primarily concerned with the preparation of financial statements and the analysis of daily financial data. Management accounting, on the other hand, is a more comprehensive approach that involves analysing the financial work of an enterprise as a whole, with the aim of promoting the development of enterprise management and providing robust support for business decisions. For enterprises, management accounting offers a wider range of functions and can play a positive role in their development[1].

2.1.2. The Main Target of Service is Different

The primary beneficiaries of financial accounting services are external information users, including external investors, relevant government departments, and other external stakeholders. In contrast, the primary service object of management accounting is the internal management of enterprises.

2.1.3. The Knowledge Structure is Different from the Ability Requirement

Those engaged in financial accounting are typically introverted and possess limited professional expertise. Those who have demonstrated proficiency in corporate accounting standards, tax law, cost accounting, and other related financial knowledge have been able to distinguish themselves. However, proficiency in management accounting alone is insufficient to meet the aforementioned requirements.

The six core competencies that are essential for excellent management accounting personnel are as follows: (1) Excellent communication and coordination skills, with an excellent affinity for expressing clear and profound theoretical knowledge to non-financial personnel in a popular language that is readily understandable; (2) Extensive knowledge structure, with proficiency in management accounting and financial accounting related theories, as well as a strong grasp of management, psychology, law, risk and strategic management knowledge, and a robust business acumen; (3) Excellent logical thinking ability and business thinking ability; (4) Possess a robust capacity for critical thinking and questioning. Embrace an innovative, exploratory, and truth-seeking approach to problem-solving, transcending the constraints of conventional enterprise accounting standards. Demonstrate an inclination to venture into uncharted territories, persistently challenging the established boundaries of financial operations. Prioritise the restoration of the genuine, intrinsic nature of business, pursuing ideas and solutions that can genuinely address the core issues. Demonstrate the ability to guide a team in the identification and resolution of complex problems.

2.2. The Connection between Financial Accounting and Management Accounting

The modern financial and management accounting theories of our country have incorporated select elements from Western finance theory. The results of financial accounting can be used by management accounting, and the data standards of the two have certain unity at certain

levels or in certain scenarios. The modern enterprise system and the financial market are in a symbiotic relationship, which has led to the division of accounting into two distinct categories: financial accounting and management accounting. Financial accounting is generated by financing and is therefore primarily related to the financial market. In contrast, management accounting is produced by management and is mainly related to the modern enterprise system. In simpler terms, homology means that financial accounting and management accounting have the same origin, which is accounting[2].

At present, the development of management accounting in China is still in the initial stage of development, and the teaching of management accounting related theories in colleges and universities is not as popular as financial accounting. In practice, management accountants are basically transformed from financial accounting, and in many cases, financial accounting and management accounting are managed by the same management method and accept the management of the same leader. The managers of many enterprises can not distinguish which is the scope of financial accounting and which is the scope of management accounting[3], so it can be seen that the connection between the two is quite close.

3. Difficulties Encountered in the Transition from Financial Accounting to Management Accounting in Enterprises

3.1. The Reserve of Knowledge and Experience is Seriously Insufficient

The current approach to university-level finance education tends to prioritize theoretical knowledge over practical skills. Many instructors lack direct experience in corporate finance, and the existing literature on Chinese finance is often highly specialized and challenging to comprehend. This makes it difficult to present complex concepts in a simplified manner or to illustrate rare theories with vivid examples or case studies. Currently, the majority of financial professionals enter the financial industry directly after graduation. Due to the demanding nature of the work and the limited scope of their interactions, the majority of their colleagues are also financial professionals with whom they have no experience of doing business. Consequently, the general perception is that most financial personnel lack an understanding of business and flexibility. They are therefore inclined to perform routine and repetitive tasks in accordance with the established system.

3.2. Changing Your Mindset Can Be Challenging

The work of financial accounting personnel is currently characterised by a high degree of repetition and a lack of engagement, with little variation from day to day, month to month, or year to year. The majority of financial accountants[4] do not derive pleasure from their work, nor do they perceive any sense of achievement in their highly repetitive tasks. Consequently, they tend to adopt a conservative and inflexible mindset, which hinders their ability to embrace change and adapt to new challenges. This presents a significant obstacle in the context of the current financial accounting transformation, which demands a quality of innovation, exploration and truth-seeking that is not always evident in the traditional financial accounting approach[5].

3.3. Financial Managers with Business Thinking and Management Thinking are Scarce

Those who fail to consider the broader context are unable to plan effectively at the regional level. The capabilities of the older generation of financial managers in the majority of companies are still rooted in the past, with a narrow focus on accounting and taxation[6]. The advent of management accounting[7] theory occurred relatively recently, and the impact of management accounting[8] practice has been uneven. Currently, there are few private enterprises that

demonstrate effective management accounting practices. Financial managers often lack the requisite abilities, and there is a dearth of opportunities for business operators to gain an understanding of the intricacies of financial work, particularly management accounting. Some posit that financial work is inherently rewarding, yet it is unclear what form this reward takes. In the domain of management accounting, in the realm of tax planning, and in facilitating enterprise growth, financial managers can derive a profound sense of accomplishment[9].

3.4. The Existing Financial Accounting System Can Not Support the Requirements of Management Accounting

The general corporate financial accounting system is primarily oriented towards meeting the requirements of taxation, bank financing and listing compliance. Consequently, it often fails to meet the requirements of management accounting. Financial managers typically seek a unified set of accounts that can address all pertinent issues. They also strive for a systematic generation of statements to minimise the influence of human input and prevent straightforward errors. However, a closer examination reveals a discrepancy between these desired outcomes and the actual circumstances. It is therefore pertinent to inquire whether a set of accounts can genuinely satisfy the aforementioned four requirements. In order to respond to the aforementioned questions, it is necessary to engage directly with the situation in question. Practice is the only means of verifying the veracity of any assertion. The financial accounting system of listed companies has its roots in finance and compliance. Despite the inherent difficulties in meeting the requirements of listing audit, there are always identifiable pathways to follow. There are mature solutions in the market and Accounting Standards for Business Enterprises to guide action. The existing accounting system is unable to meet the requirements of management accounting for the following three reasons[10].

Firstly, at the present time, a number of ERP systems are replete with financial data expressed in monetary terms, yet devoid of business data. The aforementioned result can be attributed to a number of factors. At the time of its construction, the system was primarily oriented towards financial data expressed in monetary terms, with a paucity of non-financial data integrated into the ERP system at the highest level of design. Conversely, at the time of the enterprise's introduction of the management accounting system, its financial accounting system was already relatively robust. It is not feasible for a management accountant to embed an ERP system at the point of its implementation and subsequently generate sophisticated optimisation recommendations. In accordance with the definition of management accounting, the combination of financial data and non-financial data is essential for conducting in-depth analysis of business operations and identifying the core driving factors affecting business development. However, the transformation and modification of business data to financial data by financial accounting may result in the loss of crucial information. Consequently, management accounting requires the acquisition of business data, which is not currently available within the existing accounting system.

Secondly, the current general financial accounting system lacks the requisite level of granularity to meet the needs of management accounting. Should management accounting propose a significant alteration to the financial accounting system, it is likely to encounter considerable resistance from a number of sources. From the perspective of those responsible for the financial accounting system and their subordinates, there is a lack of understanding of the requirements of management accounting. This lack of understanding leads to a lack of motivation to transform the existing accounting system. Conversely, the incorporation of an accounting dimension into the extant ERP system, with the objective of enhancing its accounting granularity, would result in an increased workload for the financial accounting department. It is only when the granularity is sufficiently fine that common points between business and finance can be identified. The business department is concerned exclusively with

the business, while the financial department is focused solely on financial data. The disparate sources of data give rise to varying communication levels. In this context, it is pertinent to inquire as to how management accounting can facilitate the interpretation of financial data and indicators by the business department and assist the latter in addressing business issues collectively. Only when the granularity is sufficiently fine can the management accountant utilise the financial data to communicate and engage in dialogue with the business department. Furthermore, presenting comprehensive data can facilitate the identification of more profound underlying issues, enabling the management accountant and the business department to gain a more nuanced understanding of the challenges at the business level. Management accounting primarily focuses on addressing issues at the financial and business levels. Given that management accounting is typically a departure from financial accounting, it is imbued with a profound comprehension that, at this juncture of exemplary management accounting, financial data is best utilized for identifying and addressing issues at the business level, contingent upon the efficacy of the identified solutions. It is incumbent upon the accounting profession to facilitate the fine reform of enterprise financial accounting in order to serve the development of business. In fact, the granularity of the refinement and reform is a matter of internal financial accounting and management accounting within the financial system. Management accounting aspires for financial accounting to possess a more profound understanding of business, to embody a more service-oriented ethos, and to cultivate a business-oriented mindset among all accountants. However, the ideal is often not fully realised in practice.

Thirdly, the current mode of support provided by business departments for the financial accounting system has been consolidated. Should enterprise management accounting propose improvements to the existing accounting system, it will be necessary to obtain additional non-financial data from the business department. This will inevitably lead to a subversion of the financial cognition of colleagues in the existing business department, making it relatively difficult to secure their cooperation. Furthermore, the inconsistency of interests among various departments will continue to present a challenge in the process of enterprise management, as the department wall remains a persistent obstacle.

3.5. The National Level Does Not Pay Enough Attention to the Training of Management Accountants

The primary domain of management accounting is within the private sector, with relatively limited demand for management accounting professionals at the governmental level. Despite the issuance of the Guiding Opinions on the Comprehensive Promotion of the Management Accounting System by the Ministry of Finance and the publication of numerous guidelines on the application of management accounting, there is currently no authoritative examination at the management accounting level in China, nor are there any established evaluation standards. As a profession that plays a pivotal role in the advancement of enterprises and the national economy, management accounting has yet to receive official recognition from the government. In the United States, the designation of Certified Management Accountant (CMA) is highly regarded in the market. Many Chinese financial professionals aspire to attain this qualification, which has become a significant point of reference in the industry.

It can be seen that the requirements for management level in different enterprises at different stages of development vary considerably. It is challenging to establish unified specific ability requirements for management accounting in practice. Furthermore, there is a lack of relevant industry organisations or institutions that could provide guidance on unifying the training standards of management accounting. At the national level, the establishment of legal and compliant enterprises, as well as those demonstrating good efficiency, is of paramount importance, as a robust enterprise structure serves as a cornerstone for a strong national economy. However, the government's primary focus has not been on the effective management

of enterprises with high efficiency. Presently, the advancement of management accounting within the country remains at the guidance level, with minimal tangible promotion. This is largely attributed to the lack of sufficient attention from relevant government departments.

4. Study on the Countermeasures of the Transformation of Enterprise Financial Accounting to Management Accounting

4.1. The National Level Attaches Great Importance to the Training of Management Accountants

It is necessary to establish a professional title training system for management accountants, which should be a level evaluation system. In addition, a junior management accountant, intermediate management accountant, deputy senior management accountant, senior management accountant and other professional title evaluation system should be set up.

4.2. The Major of Management Accounting is Gradually Popularized in Colleges and Universities

It is recommended that management accounting education be made more widely available at the college and university level. This should include the introduction of high-quality educational talent and the engagement of high-quality management accounting professionals from society in educational activities, with the provision of favourable conditions. It should be noted that lecturers without relevant practical experience will not be able to engage in management accounting teaching work. The management accounting major offers a range of courses, including psychology, marketing, risk management and internal control, business thinking, civil and commercial law, tax law, strategic management, data analysis and other related subjects. The curriculum emphasises the integration of theoretical and practical knowledge, utilising a diverse array of case-based pedagogical approaches to foster critical thinking, bold innovation, exploration and a commitment to truth seeking. Furthermore, the education of management accounting must not neglect the cultivation of professional ethics. It is of great importance to guide students in the construction of their own personality and to establish an individual with excellent character and learning abilities.

4.3. Introduce High-end Management Accounting Talents

The various stages of enterprise development entail differing requirements with respect to the abilities of personnel engaged in financial management. In the case of traditional manufacturing enterprises with a relatively limited scale, the requisite financial management functions, including tax declaration and accounting, can be adequately fulfilled. As a manufacturing enterprise develops and expands, its data volume increases exponentially, as does the scope and range of its management. A management mode based on past experience is no longer adequate for the enterprise's evolving needs. As the discrepancy between the requirements of the enterprise and the capabilities of its existing personnel intensifies, it becomes necessary for the enterprise to engage the services of high-end management accountants in order to construct a new financial system. There are numerous methods of referencing high-end management accounting talent. It is recommended that high-end talents be provided with equity incentives in order to stimulate their fighting spirit and enable them to share the fate of the enterprise. A new financial system must be designed to ensure the origin of business and financial data is the same, and that the data is accurate and granular. The design of such a system requires a high level of financial practical experience, accounting, management and strategy. The introduction of high-end management accounting talents enables enterprises to implement a strategic layout of management accounting.

4.4. Optimize the Management Mode of Enterprise Financial Accounting

It would be beneficial to introduce individuals with an understanding of management accounting to oversee the financial accounting system of enterprises. The level of enterprise accounting serves to determine the subsequent development of enterprise management accounting. Accounting represents the foundational basis for this process. In the event that an enterprise financial accounting system is required to support a number of functions, including the fulfilment of tax and compliance obligations, the provision of detailed cost accounting, and the delivery of management accounting, it becomes necessary to reform the existing accounting system. Nevertheless, the prerequisite for these reforms is to allow financial managers who possess an understanding of management accounting or have experience in management accounting to oversee the financial accounting system of enterprises. Currently, there are instances of successful implementation in listed companies. Frequent changes in the accounting department manager do not align with the needs of the enterprise, and the individual responsible for the management accounting department is ultimately selected to serve as the manager of the accounting department.

It is only through the completion of the top-level design that the advancement of financial accounting can be facilitated. By optimising and upgrading both the system and the associated thinking, enterprises can implement a set of accounts that will address numerous issues, thereby enabling the robust development of enterprise management accounting and the subsequent deepening of business operations.

5. Conclusion

In the context of intensifying competition within the industry and across enterprises, the question of how to derive benefits from management and to enhance the precision and efficacy of decision-making processes has emerged as a significant challenge for many enterprises. This paper elucidates the distinction between management accounting and financial accounting, emphasizing the necessity for management accounting professionals to possess six fundamental competencies. It also underscores the necessity for collective efforts and transformations, particularly at the governmental level, to facilitate the introduction of management accounting-related level evaluation examinations. Ultimately, the crux of the matter lies in human capital, despite the formidable challenges that lie ahead.

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