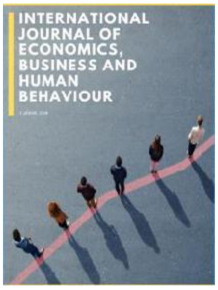

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The controversial relation between the Cost Management and the Financial Accounting

MOHAMED M. ELGIBALY [1]

Abstract

Within the current work, an attempt was drawn to try to narrow the gap between the new cost management tools and systems and the current stable financial accounting. Mainly, the focus is upon the announcement and the disclosure of the results of these cost management tools in the financial reports.

Within the current work, we tried to discriminate between the earlier attempts, which aimed at achieving some sorts of convergence between the cost management tools and the financial accounting and our objective during the current work, either to achieve the approval or the inclusion within the financial reports, i.e. the disclosure of the results of applying the cost management tools, either compulsory or amendatory disclosure. The convergence process has shown a little bit of cooperation, but after all, nothing was positively achieved. The idea of the current work is mostly suggested from the concern that cost accounting and managerial accounting were modified and unionized their objectives under the new approach, the cost management approach. Different attempts were drawn currently, to, at least find a bridge to connect cost management and financial accounting, either through the main objective of this work or according to the nature of the different cost tools. Despite the different promising attempts drawn within this work, the problem and objective of the current work still too large, and further work still required.

Key words: Cost Management, Convergence, Financial accounting, Value to Customer.

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Introduction

By the time path, various different sorts of progress have taken place regarding the cost management theme and the cost management tools. New advances were considered either in terms of advanced usage or more preciously, in terms of new tools. Everyday morning, a movement from one success to another, regarding these cost tools, accepted and applied by users. Furthermore, new roads of advances has taken place, during the last 30 years, including new systems, ABC, ABM, TDABC, Backflush Costing and LCC, in addition to a more advanced tools, such as, Target Costing, Value Engineering, value analysis, BSC, Value chain, Concurrent Engineering, Agile System, Customer Profile , QD, Lean Accounting, Six Sigma among other complicated systems (Lian Qui, 2020). All these systems and techniques were used successfully and extensively either in large or in mid-sized

[1] Professor of Cost Management , Ph.D Brunel University, Beni Suef University.

firms, in the light of different factors and elements. Recently, the topic which demanded more research, has claimed to the lack of the financial accounting system respond, or more honestly the absence of these financial accounting systems reactions, in confront of the previous advances in cost tools, and cost systems. This reaction is mostly intended in terms of disclosure and financial reporting inclusion. Off course, more still required from the financial accounting notation; i. e., financial accounting process, further additional financial reports to give some guidance for the new application to support different users of financial information, especially in decision making. In other terms, the inquiry which emerged still make a crisis as. what is the reaction of the whole financial accounting system. Standards …principles and reports, towards the daily progress in the cost system, (the cost management tools and systems). The conflict attitude of both systems, has claimed to the oldivity and obsolescence of the financial accounting system, and also claimed to the necessity for a new modification. Katko, (2015) has shown that; principles of Lean accounting do not match with the GAAP and accounting do not match within points of inventory evaluation and costs of goods sold.

During the current work, we will try to play a double face joker by the attempt to narrow the gap between both systems (sometimes achieving a little bit of convergence) and trying to find out an interpretation to the duplication of costs/expenses or the burden of both systems. In other terms, an attempt to find out a road for approval within the financial accounting context with the daily advances in the cost management.

Different studies were performed to answer a part of previous arguments and inquiries, (Richardson, 2017.., Dani and Beuren, 2014, Taipaleenmaki and Ikaheimo 2013, Dumitru,2014), among others have tried to make some sorts of approximations or convergence .However, all these attempts still represent a temporary solutions, and the problem of the lacked of a complete reaction and a bridge of realm between both areas still absent and the area still open for more researches.

Research Problem:

The main dilemma of the current work mostly appeared from the diversity of contents and attitudes of both approaches and branches. The cost management as a new area of work , and the heir of the old cost accounting, is mostly changeable and not stable, by means , nearly a daily changes and progress introduced, of which most of these progresses still under experimentation, testing and consideration. Regarding, the other side of comparison, the financial accounting branch, is mostly less changeable, and mostly consistent with some standards and principles, mostly, aimed at inventory evaluation and report preparing. Linking between both approaches, will be constrained by the nature of both approaches and, the clients of both. In other terms, the existence of non-financial events and data has made it difficult for convergence. More recently, cost management redefined their members as business consultants and strategic decision-makers rather than just cost accountants (Richardson and Jones, 2007, Suddaby and Viale, 2011}). Richardson (2017), has pointed to the main motivations of convergence between the cost management and financial accounting, in three motives as:

1- Cost management associations provide an organizational basis from which practioners could attempt usurpatory closure in response to the exclusionary closure of financial accounting associations, and also, it will reduce the risk of usurpatory closure.
2- Separation of financial accounting from cost management associations, may lead to create inefficient duplication of services.
3- The creation of international trade in services has created the demand for transnational professional associations. In other terms, formation of financial accounting and cost management associations entering their domestic market.

Despite of all previous motives and claims, still a large area of differences emerges, which complicated the association. The main reasons of these discrepancies may mostly result from some definitions and task objectives. Goretzki and Struss (2017), has claimed to the concept of cognitive drift where the technical domain of one profession encroaches on that of another profession. Over time these professional and cognitive drifts undermined the distinction between accounting associations resulting in duplication of professional development services and conflict over professional boundaries (Suddaby et al 2015). In other terms, the continuous progress in cost management tools and systems mostly can be considered as excess in drifts, encroaches the steady state of the financial accounting, a matter which is mostly puzzling the accounting professionals. The assumptions underlying the discussion are that cost management and financial accounting themes reflect the separation of ownership and control, i.e, they have different primary stakeholders, but that both are evolving within an industry society (Richardson, 2017).

Controversial debate for the unionization and coping between the two over mentioned approaches has continued to emerge, and relaxation of current theme become necessary and vital in any future research agenda. The key question is thus whether or not cost management and financial accounting represent two distinct approaches of practice or are they converging on a single information set that can support managerial decision-making. In a final word, the task objective of the current work is to make a bridge of movement between the accounting by numbers and the client accounting. Coping with the advances in the cost management by the public accounting authorities represent the game to be played within the current work, and then, the expected output is a representative report to what happened inside the modern firm. A sort of comprehensive reports still the goal and anticipated ending of the game.

The last question which will represent the question of this work is that Can financial accounting coexist with cost management within an integrated system of reporting, and which is the role of this convergence in defining the managerial decision? In other terms, the key question is thus, whether or not cost management and financial accounting represent two distinct technologies of practice or are they converging on a single information set that can support managerial decision-making and investor decision-making? The final question which should be discussed in some length is that; do cost accounting still exist as an accounting branch? The matter is so completely changed and substituted with the cost management.

Research Objectives:

The current research objectives is to find out a bridge or a road between two competing and distinctive systems; the cost management and the financial accounting systems. We will try to change the current state played by both systems, from a conflicted competitive game to a cooperative game or to a single harmonized game. The debate and controversy between both systems, should be relaxed in order to maximize the yield of both systems. Once, a state of agreement taken place at least from the theoretical level, we will try to find out how both systems can be located inside and worked effectively in a compound system, with a minimum level of conflicts. The idea should first be inserted in the organization map and later during the operating process. This matter will not be a set of illusion or imagination, but it will be given a lot of positive efforts for success or at least to be near reality, giving more hope for future anticipated works, and may be plan for some level of convergence.

The main reasons of divergence between cost management and financial accounting, may be better summarized in terms of Gorezki & Strauss (2017):

1- Focusing on opportunity costs to support management decision- making and encouraging different information decisions within the same firm.
2-Providing information relevant to a wide group of stakeholders rather than being focused on information relevant to the decision – model of shareholders.
3-Varying cost management practice according to the strategy of the organization particularly in the choice of performance measures to derive strategy implementation and the construction of information specific to the decision- needs of local managers.

Financial reports as the principle key factor of divergence between financial accounting and cost management, were intended as "general purpose" documents for multiple stakeholders. These reports as a general-purpose report, this lead standard-setters to focus on equity valuation models (Barth et al ,2001) and equity market reactions to new accounting standards as a test of their relevance (Young 2006). The increasingly distinct sets of stakeholders that are the focus of financial reporting and cost management respectively, encourages a divergence of practice of each area (Ball, 2004, Ratnatunga, et al, 2015).

The need to obtain real-time clear and concise information regarding the evolution of an economic entity, useful to deciding factors, has lead us to the attempt to identify, study and to develop the convergence points between the financial accounting and the cost management and the way we can solve the issue of introducing them into an operable, efficient and especially less expensive…… or at least to be near reality

An objective like this may lead to reduce complications in implementation and helping in modifying results of application. The same line of thinking may create some problems and claims to; why we pay a double costing in an accounting (limited) cost system? Are benefits reached from both systems can illustrate the duplication of results and costs? Which results can be accepted, ie, from the official accounting system, which are mostly explained as a non-value add system (elgebaly, 1978), or those results suggested from operations, from the cost management system/tools?

Establishing a road /bridge or at least a connection between these two systems, may satisfy somewhat the intention to the development. The emerged question now is how this connection can be stated? For the firm accounting system, it is the problem of disclosure, either compulsory or mandatory disclosure of mostly the fair value. Further also, it should be a disclosure of the results of the different cost tools used, changes in the internal flow of information between the different systems, must be clarified and finally, an indication to the results of previous applications and results, must be reflected in the financial reports, all these imaginations and hops were not happened yet and still far away from current application. This lack of declaration has encouraged us to point out to the current reports as, they rely declared to a false state and still a wide gap between information declared and actual owned information by the firm. Until now most declaration still pointed out to the correctness of sticky principles decided instead to correct facts happened inside the system.

Information sovergency and the asymmetry of information between inside classes and the outside classes have inherent correct investment decisions, which should be taken. What we can say towards this state? What difference may appear between the state of earning management and facts management in our context? This gab has created states of self-oriented of information holders against the need of information users.

A lack of connection between both systems, will disturb the unique line of thinking, a matter which may create some problems, and pointed to the title of why we pay a double costing in an accounting cost system?. Does benefits reached from both systems can illustrate the duplication of results and costs? Which results can be accepted; ie, from the official accounting system (the financial accounting system), which is mostly explained as a non-value add system, or according to the results suggested from the operations, by the cost management tools?. Establishing, a road, bridge or at least a connection between these two systems may satisfy somewhat the intention for the development. The emerged question now, is how this connection can be stated?

An announcement to a new modified accounting system become more essentially currently and the fuzzy state currently exist and due to this state of behaving behind a veil of ignorance, everything should be purified.

Plausibility of the current work:

The current study represents a superior study, where, reviewing the literature has indicated to the scarcity of this type of research. No previous studies, including the main ideas currently discussed, were found in the literature of the work. All previous work has only been limited to just claims about the importance of this work. The set of the previous studies has pointed to a theoretical attempt for the approximation between the diverse views of the financial accounting and the managerial accounting. The convergence attempts still the focus, commenting that there is a new revolution known as cost management which presents a new theme or curriculum instead of limiting our mind to the concepts of managerial accounting or cost accounting. The current study represents a claim for a new area and more wok to be done in this area still required. Current work still under concern for additional participants, due to the necessity of further conclusions and results. The current study represent a promising area for further research, and still under experiment and concern. In the following parts, an attempt to find out a reality for our dream will be stated, and finally, a conclusion will be drawn

Reviewing the scientific and electronic cites has claimed to the non-existence of similar work, and the current work is the pioneer to start in this point of research.

Attempts for the solution:

Different suggested attempts will be drawn during the coming parts to clear the view about how a reliable solution can exist. In the following subsections, different ideas will be discussed in an attempt to narrow the gap and clarify the view. In the following subsections, we will try to present the different states, starting by attempts of achieving the convergence, followed by assuming g a two distinct systems , and the later part will introduce an elementary frame for establishing a new accounting standard to support an acceptable solution to the problem of financial disclosure regarding the results of the different cost management tools.

A mixed financial cost management system (the convergence of both approaches):

In this state, differences between the two systems should be reduced and relaxed and the conflict or contrast should be removed, and finally, levels of agreement should be maximized. In this literature, attempts were drawn to find out a certain level of information flow connection between the two systems to take place. Johnson and Kaplan (1989) have pointed to:

"Despite the increased availability of powerful, and steadily less costly, data processing.

Systems, companies typically keep only one set of books. Cost Accounting practices,

therefore follow, and become subservient to financial accounting practice"

The current part actually opened to the inquiry regarding, whether the information needed by senior managers related to the information needs of the external users and the decisions taken by lower levels of management. The interview held by Hopper et al (1992) has pointed to a high degree of integration between the financial and managerial accounting systems. In the meantime, interviews have pointed to no examples were found of cost management systems being changed to accommodate financial accounting requirements.

The convergence covers firstly the technical and technological domain extending thereafter to behavioral and organizational domain with (un)intentional alignment of functions and processes and (un)intentional convergence of work and role. The applicability of this frameworks illustrated with a comprehensive set of examples. Based on our examples, the forward –looking financial accounting elements are often intertwined with management accounting and vice versa, and these relationships will be extended from technical and technological domain to behavioral and organizational domain. In most of our example's IT plays an important or even a crucial role in the convergence process (Taipaleenmaki & Ikaheimo 2013).

Both of MA and FA modules may be integrated within ERP system. In this case of data integration, data are stored and maintained only in one place (Brazel and Dang, 2008, Huidong Ma 2019). The contemporary analysis-oriented accounting information systems and management reporting software packages can be used by both various managerial levels up to the top executives in the management team and the accounting professionals, similarly as integrated information systems (Veeken and wouters 2002, Rom and Rohde 2007). According to prior studies the integrated information platform facilitated by ERP and Internet, which derives changes in corporate management(Granlund and Malmi 2002, Maliszeweka and Klos, 2019). The recent research indicates also that, ERP systems support and integrate both internal and external business process opening a broader basis for management control(Granlund and Mouristen, 2003, Granlund and Taipaleenmak, 2005, Naliszewsks and Klos , 2019, Hiuding, 2019, Gloubeva, 2020). Also in the cases where ERP's are not adopted, system can be integrated using conventional best of breed solutions where each function may have its own independent system or standalone system components of standard package and/or custom software (Hyvonen, 2003).

Taipaleenmaki & Ikaheimo (2013) has discussed some ideas of convergence between the management accounting and the financial accounting. The discussion appeared to be crucial and considered the information system as a suitable tool for achieving this convergence. They were supported by the similar ultimate purposes jointed them, and they are within the same accounting realm. Modern and integrated accounting information systems provide enhance possibilities to organize and therefore try to integrate accounting and cost management. The need to integrate these two approaches has forced accountants to consider the differences and similarities between financial accounting and managerial accounting, especially on the level of accounting information and accounting rules.

Focus during this part of literature has upon the strategic concern of accounting. Future oriented accounting (i. e future looking forward information and strategic management accounting) represents the main concern of convergence (Gupta et al, 2019, Gu et al, 2019). Also, movements towards the fair value instead of the historical value, has considered the real and current prices which is in the way of supporting the process of decision making. However, a lot of cost management tools, still not being realized or considered by financial accounting reports, such as the target costing, the ABC and …. the like. All these concerns, despite of all previous attempts for convergence, still make a wide gap between financial accounting and cost management (Gu et al, 2019, Weerathunga et al, 2020).

In order to relax the argument, we have to state the main features of cost management and contrasting them with the financial accounting context. Starting by the strategic planning and development, many indicators has pointed to support this direction. Among these, it will be the well mentioned balanced Score Card, where a combination of financial and non-financial prospective were considered in the area of strategic to the movement towards the usage of the fair value and using of the non-of financial performance indicators. Off course, applying the IFRS standards has given more promising to some strategic cooperation's between the cost management and the financial accounting (Weerathunge et al, 2020, Glueva, 2020). The real time information systems can all together; data on time of occurrence, and the preparing of financial reports at the same moment. Furthermore, movements towards the market dilemma, will change the nature of data required from data according to transactions to data according opportunities, which will present a good support for decisions.

However, we still argue that do all these ideas and movements can suggest some sorts of convergence between the two systems; cost management and financial accounting, or the attempts until now just only to reduce the discrepancy.

In this due diligence, cost management provides essential information for decision making in the form of fair values , and here IT facilitates the convergence by intentional integration and combining these two sources of information ; cost management and financial accounting by delivering information to support financial accounting and it also used directly for the decision making purposes by the management of the acquiring company(Taipaleenmaki, J., and Ikaheimo, S., 2013, Syreyshchikova et al , 2020, Lian Aui et al , 2020) .

IFRS8, related to operational sectors, has determined the main information for reporting; including financial information about financial markets, and risk elements as well as the profit causes, of which is required for both of internal and external uses. Interim reports, including this information, represent a good indication to the convergence between financial accounting and cost management. In the same line of thinking, it is appeared standards IFRS9 regarding the financial requirements , IAS12 regarding the income tax and IAS40 regarding investment features; all these standards has created a space for further convergence between the financial accounting and the cost management, mostly in terms of the future looking information(Weerathunga et al, 2020).

The move to market-based information under IFRS weakness the requirement that financial statement be based on transaction data and opens up the possibility that the "opportunity costs" information recommended for managerial decision-making could be consistent with the information reported in financial statements(Ahmed and Duellman 2013).

Despite all previous welcoming ideas, still the acceptance, the approval and reporting about the different tools and systems of cost management constrained by the objectivity concern and the historical dilemma which presents the main constraints against the approval. What about the firm disclosure, and the financial reports published? What about the organizational behavioral concern towards daily advances in the different cost management tools, i.e., Acceptance/Denying? And finally, what about further efforts for progress, either to be in the way of more advanced tools, or more attempts to convince for approval?

All these questions and others have returned us to the starting point again, as if ; nothing was achieved. No disclosure or results declared about these new tools. No further recommendations or anonymous acceptance was mentioned. Financial reports and statements still empty of any indication to the credibility of these cost management tools and systems. Accordingly, we suggested to follow the other way round of considering a two independent systems, one for the financial accounting and the second for the cost management, and then we have to check the side effects of other citrus paribus effects. The integrated financial and managerial accounting system being supported in Germany (Weienberger and Angelkort, 2011), despite the plausibility of integration, still suffer from the absence of the different well mentioned cost management tools. All discussion within this subsection still consider that cost accounting is identical to cost management, a matter which is absolutely incorrect and a big differences existed recently and lead to the obsolescence of cost accounting and the substitution with the cost management, which is eligible to substitute both of the cost accounting and the managerial accounting.

***Two different systems* (The double parallel systems):**

The starting dilemma of this sub-section depends upon our starting idea that, we really speaking about two different systems: the cost management system and the financial accounting system. The main idea of the discussion here is that how the different suggested tools of cost management results' to be presented at the accounting reports. Also, the problems of disclosure through the accounting reports, how it can be solved. The obsolescence of the cost accounting results still only accepted from the theoretical side, but they still in action disregard from the financial reports. All previous attempts of convergence, still depend upon the results of the cost accounting system , which become old and should be disregarded.(Off course, the same results can be extended to include the management accounting).

The starting point of the controversy is the type of the new firm (JIT/Agile), the absence of the inventory, has affected the flow of costs and point of cost evaluation to the ending inventory. In the meantime, one of the main features of the new type of firm, required a less complicated and expensive accounting system, a matter which becomes against the GAAP and the reporting system requirements. The principle of matching revenues and expenses will be harmed as inventory will be evaluated according to the on-time flow of materials. Materials will be evaluated according only to the direct costs, without considering the other items of expenses(work – in process will be evaluated according to the direct material only and it will not include any part of the transfer costs , a matter which may cope with the JIT principles, but against the principles of the financial accounting).

As far as we noticed in the previous sub-section that the convergence between the two fields of study still in-complete or artificial, and mostly regarded because of the modern digitalization system, and during this sub-section we will try to go through the opposite direction, considering that both of them is independent in process, in reporting , in applications and finally, in theme. This situation was appeared in cases of Japan and Finland since the 1990's, where a general pursuit and convenience about the necessity of separating between the financial accounting and cost management and accordingly the following expression was used.

" *The Managerialisation of Financial Reporting"* Trucco (2015).

Further attempts has been drawn to simplify the matter somewhat, in order to cope with the existence of an accounting requirements and also with cost management notation. Examples of this state is the application of the backflush costing system (Elgibaly, 1997, Horngren 2017) to satisfy the accounting requirements and also to cope with the just in time firms.

The application of the backflush costing system, which initially, can reduce the number of financial accounting procedures to a very small number of process, and using the semi- closed loop cost management financial accounting system. Accordingly, inventory will be evaluated according to the direct materials only with a very small amount of value. The point where production become finished and completed, here, recording process will be started. Therefore, changes in raw materials to work-in-process will not be recorded at all, and recording will happen when production completed, by means a backward recording will happen from the end to the beginning, a matter which will cope with the nature of flexibility and JIT/Agile requirements. A system like this, may help to enlarge and modify the internal value chain and giving more chances to the convergence with the external value chain and then facilitating and reducing the costs and the process of the two systems to exist, but still in contrast of the notation of the financial accounting system (Mohamed 2018, Rezaramezani, A., and Mahdloo, M., 2014). The use of some alternative concepts like the open accounting system still valid from the theoretical point of view. No-one can accept wisely, that data from one firm to be open for another clients and suppliers. Concepts of interchanging the cost data between the different players of the commercial game, just only, accepted from the theoretical side, but from the practical side, still questionable. More and more gauge still create a complicated crises in the cost management area, suffering from fully neglection in the traditional accounting area…. etc.

Opponents of this proposed solution, which may complaint due to the costs and time of application but concerns of accuracy and faithful disclosure may relax their complaints, in addition to the requirements and the anticipated progress of the modern firm.

Reporting about this situation requires additional reports in addition to the normal reports of the firm. Off course the cause- cost tools application and output require some special reports, not only for internal users, but also for outside value chain. Costs of the additional reports should be approved in view of the continuous benefits suggested.

From the first glance, one should ask about who will be responsible about the credibility, efficiency and plausibility of both systems, which should be under the control to detect any conflict between the two systems, or between the different available cost tools. The matter in general should be organized and rationalized in view of different factors and elements, such as costs and time.

Accepting of a double entry system, with a double reporting system, may be accepted from the notional point of view, but from the reality point of view, concerns of costs and time, may represent an important concern. Applying cost effectiveness upon the reporting system may not find any support for continuity, and a modified solution should exist, with the concern of cost rationalization (still a large problem until now regarding the term unit cost or expense which should be used in the different objectives required . The question which may emerge here is that we have either accepting further progresses in cost management tools, with its declared problems, or limiting and stopping any expanding and keeping alive the conservative approach of the financial accounting. In the meantime, one should think more about the necessity and the credibility of the anticipated role of cost accounting s' reports besides to the official reports of the financial accounting,

A multi-dimensional accounting system:

In this case, we will try to pool all objectives of the two different systems in only one pool and claiming for a new advanced accounting system. A matter like this, is including a long term changing in the accounting principles, standards and measures, in-addition to a remarkable change in the way of presenting the cost results. Here, the necessity of the existence of fast measures and presenting of the available data and information to quickly serving the decision making, performance evaluation and value creation. In the meantime, marketing judgment tools and internal controls should be linked together to produce a one direction system of judgment. Off course, last suggested solution requires a long time for implementation. Fortunately, attempts in light of a modified accounting information technology started, as a helpful tool for the application, but theoretical framework to pursuit users still necessary.

Previous ideas and discussion presented in the current work, represent a summary of a very large work currently applied in different states and areas of research.

Recent work in this area has claimed to the lack of modification in area of financial accounting, and a joint relationship between the accounting standards and theory in one side, and the cost tools in the other side which should be completed and established. The comprehensive income statement may represent an acceptable tool to include both systems. The task objective in this case is how to relax the debate or the conflicts between the two systems. Also, the measurable costs considered in previous, should be changed and modified to include the activity costs instead of the product or process costs. Changes like this require further official procedures to be applied, especially from the tax authorities and the controlling bodies. The GAAP and also the accounting principles/ standards should become widen enough to include an accounting treatment to the prerequisites of the new cost systems. An urgent change from the concepts of the accounting for profits and transactions to the accounting for customers should be elaborated. Non-financial data should take place and replaced with some of the financial data. The acceptable application of the balanced score card among the other advanced and accepted information technologies, like ERP by the accounting system, may be a good example of the inclusion. However, too much still required, and major changes become necessary. In the following sub-section, we will plan for further modification, to achieve our objective, in terms of a new accounting standard including a space for convergence and to narrow the gap between both systems

The matter which may be constrained by a lack of references to clear the matter. The cost management tools should be presented, and the measurement of the costs and spending should be changed. Also, a unified cost system become necessary to offer support for internal and external decision makers. The new anticipated cost system will not only be related to the internal, but also to the external users; such as suppliers, customers and official authorities. The flow of costs between the supply chain parties, cannot be attained without presenting the true and real costs. Also, claiming of open accounting cannot to established without the existence of an acceptable approach of cost information disclosure. The trade of between accounting standards(through which the cost accounting is working) and a new suggested accounting system(within which the customers and the costing system should exist) a matter which should be relaxed and an acceptable solution should be established.

A unified multi-accounting system should make work of the different claims of accountants and cost management supporters. A quisi movement from cost accounting (accrual accounting) to cost management, is the task which should be given more intentions, otherwise, a large delay will happen. No-one can stop the daily advances in cost management; in the meantime, no-one can accept the incomplete published reports.

Towards a new financial accounting standard*:*

In this subsection, different basic questions should be raised to shield the light more upon the problem of our work, mostly focused upon, how integration can possibly be achieved with the existence of a conflict relation between them?

As discussed previously, it was appeared that cost management represents a new realm or a new theme for the costing, mostly substituted the traditional cost system (cost accounting) to transfer the costing process to a new realm. This progress as pointed before, expected to find some care from the official accounting system. However, unfortunately no care was paid. No results in the declared reports (either compulsory reports or any other reports). In the meantime, all IAS standards and IFRS has not paid any attention towards these new costing tools. A matter like this has produced two a shamming result as:

- Reports prepared become far away from the real state of the firm and unable to help in the different decisions taken by the different parts of the firm.
- Two costing systems become now in work: the official unreliable cost accounting and the in-official (mostly reliable cost system). This duplication will complicate both of results and costs spent.

The wisdom and unrecorded costs have created a puzzling situation and then something should be changed. Off course, success happened in the cost management area cannot be neglected, and then , the matter requires a quick modification to the financial accounting standards should be attained, but how much the price required then for this approval.

Some of the current accounting standards at the first state should be updated, especially, those standards which are depending upon real market(IFRS13); regarding the fair value, should be affected in measurement by the superiority of the target costing approach. In the meantime, estimations reached by the design to cost as a step of the target costing, is helpful in reaching at a more qualified operational standards of costing(Elgialy, 1998). Concurrent engineering as a new system in the cost management, can be helpful in points of future oriented information, elaborated in the new direction of the financial accounting.

Continuous improvement as a new managerial approach in the cost management process, can represent a new basis for performance attainment and evaluation, instead of depending upon traditional suspectable tools; as; ROI or RI.

In the point of cost calculation to reach at net profit, a substitution between the accounting cost system and the Activity Based Costing and the TDABC can help at reaching to a more accurate unit cost and showing the disutilized costs, as a matter of accurate pricing. The value engineering system can help in purifying costs within the research and development stage.

The zero-basis inventory as well as the material rational flow, will reduce the inventory standard and lead to redistribute the investment map of the firm. Off course the direction here will not only focus upon the capital invested, but also upon the direction of the accounting process, where, no need for a double entry to record the purchase of material or work in process. (somewhat of cost reduction problem).

Performance improvement can be in the accounting area, be achieved through the application of the lean accounting, and then performance reports can be established according to the minimum defaults or wastages, after minimizing the level of loss. Off course, variance analysis can be amended or stopped, as the level of variance will be reduced or diminished, and then no need will be to the defect reports. At the same time, the matter now become no more resources for further investments. One of the cost management systems; the benchmarking, which will help to achieve a selected modified development, mostly without any further investments (Lodh, and Gaffikin 2006), a matter which may help to supporting the positive relation between advanced developments with more new investments.

From another way of thinking, the existence of some electronic programs related to the accounting area; such as; XBRAL , ORACLE and ERP, will represent a promising tools for the convergence between the financial accounting and the cost management, but this is not the main intention of the current work, as we actually require a clear approval about the cost management tools in the context of the financial accounting statements and reports.

From another side, we should notice that the believe around the existence of two separate systems, has led to widen the gap between the two systems and delayed the official approval in the financial reports.

Numbers of suggested ideas from the accounting system will be changed completely, as the tools and basis of the measurement be changed. Outside effects will be too large, especially, with regard to the share’s prices, investors decisions and official authorities. The life cycle of the firm will attract for long term measurement and evaluation. The emerging question then, what is the rational solution?

The first sight solution directed towards a basic change in the accounting structure, by means, at least a new international standard become necessary to be established, inaddtion to the main accounting process, which should be updated in view of electronic environment of the new firm.

This new suggestion cannot be performed in a small work , but it should be prepared and established in a large work organized by the different international accounting boards and authorities.

The matter according to previous has made some closed relationship between the financial accounting and the cost management, however, the matter still require a compulsory solution in the basics of the financial accounting, which means a new accounting standard rules and reporting to present a movement from the stages of neglection to the stages of fully acceptance.

Summary and Final Remarks:

During the current work, it was discussed the dilemma supposed between the cost management system and the financial accounting system. The discussion has pointed to the existence of the following results:

1- An excess confining and counting of the new cost management tools, pointing to the existence of more than 30 tools and systems.

2- No respond appeared in the published accounting financial reports to declare or disclose about the existence of the new cost tools and their results and conclusions.

3- Developing of new tools has got its existence from the internal managerial decisions' requirements, however, no declaration or announcement to the outside class has taken place.
4- The cost management tools has not found a new room inside the firm; a matter which has created a very complicated state, as no approval or disclosure from the official accounting system to support the traditional accounting for financial reporting and inventory evaluation.
5- The internal battle between cost accounting, managerial accounting and cost management, mostly moved towards the priority of cost management over the cost accounting and managerial accounting, a matter which has encouraged us to declare our conclusion that, currently, cost management is the only costing system to be considered and replaced both of the cost accounting and the managerial accounting.
6- Our notation in the current work has come forward in the same line declared by Johnson and Kaplan (1989), where the main deficiencies of the traditional cost accounting has exceeded the accounting application of this system and the advances in technologies has supported the unified cost management system.
7- Off course, some attempts were performed during previous years to achieve some sorts of convergence between the financial accounting and the managerial accounting, but all these attempts has got its credibility from the existence of some information technology tools, and also, all these attempts has not reached to a fully convergence between the two accounting branches, and in the meantime, it opened to the question regarding, whether alternatively, costs could be imported to the accounting system form another decision supporting system(i.e. the cost management), to achieve the different accounting objectives.
8- The current work has pointed clearly that no official coverage to the advances in cost management, and no, except the minority, who approved the plausibility of the new advances in cost management.
9- The current work has declared clearly to the necessity of a new accounting standards, which should have a wide room to accept, approved and disclosed about these advances in cost management. In the meantime, the new technology of cost management should be replaced with the dilemma of cost accounting and managerial accounting, and since now, we should accept the reality of only one cost system: known as the cost management. This new system should represent the only source of costs to the different objectives and for the different official attributes. Accordingly, the duplication in the cost systems will be removed and the economic usage of the information technology will be extracted. Transformation and movement of the information between the cost management system and the financial accounting system should be widen and further clarification to take place. Further relaxation of some financial accounting assumptions;i.e. the objectivity and the historical concerns and further modification in accounting standards, should happen. Furthermore, we should believe in current technology advances as a way of further progress and convergence. Attempts regarding the elaboration of future information enhancement and the ERP technology is good but not enough to achieve the realm of convergence. Document less principles should be suggested and other security ideas should exist. No one can deny what was happened during the last thirty years, and further ideas of

connections between the stable financial accounting system and the flexible cost management system is welcomed.

As a final remark, one can suggest some anticipated future ideas as:

- Further and more studies should be suggested and still required in the near future to form a new accounting standard, including the approval and inclusion of the different cost management tools within the accounting reporting system.
- Comprehensive financial statements should be modified according to the correct measurement to the unit cost, in concern of profit calculation and taxing systems.
- Decisions should focus upon the modified costs before deciding upon the feasibility of any decision.

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