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**BEGINNINGS OF THE DEVELOPMENT
OF MANAGEMENT ACCOUNTING IN POLAND –
CONTRIBUTION OF THE WROCLAW CENTER**

**POCZĄTEK ROZWOJU
RACHUNKOWOŚCI ZARZĄDCZEJ W POLSCE –
WKŁAD OŚRODKA WROCŁAWSKIEGO**

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Summary: Management accounting is a discipline subject to dynamic development in the areas of theoretical concepts and practical applications. In Poland, the greatest development in this area occurred after 1989 in connection with socio-economic changes. However, the beginnings of management accounting development in our country date back to much earlier years. The Polish precursors to this discipline include W. Malc and J. Falewicz, who in 1963 published books on issues that fall within the scope of management accounting. W. Malc's work concerned postulated costs, while J. Falewicz assessed the economy and profitability using the dependence between global costs and production volume. Currently, they are also one of the most important issues considered in management accounting. This leads to the recognition of W. Malc and J. Falewicz as precursors of management accounting in Poland stemming from the centre of Wrocław.

Keywords: cost survey, postulated costs bill, variable costs account, cost regression, profitability assessment.

Streszczenie: Rachunkowość zarządcza jest dyscypliną podlegającą dynamicznemu rozwojowi w obszarach koncepcji teoretycznych i zastosowań praktycznych. W Polsce największy rozwój w tym zakresie nastąpił po 1989 r. w związku z przemianami społeczno-gospodarczymi. Początki rozwoju rachunkowości zarządczej w naszym kraju sięgają jednakże znacznie wcześniejszych lat. Do polskich prekursorów tej dyscypliny należy zaliczyć W. Malca i J. Falewicza, którzy w 1963 r. opublikowali książki z problematyki, która mieści się w zakresie rachunkowości zarządczej. Praca W. Malca dotyczyła rachunku kosztów postulowanych, natomiast J. Falewicza oceny gospodarności i rentowności przy wykorzystaniu zależności między kosztami globalnymi i wielkością produkcji. Także aktualnie są to jedne z najważniejszych zagadnień rozpatrywanych w rachunkowości zarządczej. To skłania do uznania W. Malca i J. Falewicza za prekursorów rachunkowości zarządczej w Polsce wywodzących się z ośrodka wrocławskiego.

Słowa kluczowe: badanie kosztów, rachunek kosztów postulowanych, rachunek kosztów zmiennych, regresja kosztów, ocena rentowności.

1. Introduction

Management accounting is a relatively young accounting area, distinguished in the middle of the last century, with a centuries-old tradition. Since its beginnings, it has been dynamically developing, both in terms of theoretical concepts and methods. In addition, the application of management accounting in the practice of business units has systematically increased, because it started to become an increasingly effective instrument of management, providing economic information useful for decision-making as well as planning and controlling the operations of the enterprise.

The development of management accounting on an international scale has been the subject of scientific research in numerous countries. In Poland, the widest research in this area was carried out by A. Szychta, and the results were presented in her work [Szychta 2008]. The author distinguished developmental tendencies and pointed out the practices of management accounting at various stages of its development. Against this background, she showed the development of management accounting in Poland on the basis of empirical research. A certain contribution to the distinction of the developmental stages of management accounting is the work by E. Nowak [2015].

This article attempts to show that, at the turn of the 1950s and 1960s, in the Wroclaw centre, serious research was conducted on issues that are also currently of interest to management accounting. This was despite the fact that at that time there was no separate discipline in theory, didactics or practice. Research on costs conducted by W. Malc and J. Falewicz was particularly valuable in this area. Their most important compact works were published in 1963.

The main purpose of this article is to show that W. Malc and J. Falewicz are among the precursors of management accounting in Poland and their most important works concerned issues which are also nowadays an important subject of interest in management accounting. The main thesis of the article is contained in the statement that the considerations of W. Malc and J. Falewicz regarding the keeping of the cost account and its use in controlling the activities of enterprises should be considered as a significant contribution to the beginnings of management accounting in our country. The following research methods were used in the article: critical literature analysis, study of the authors' views, the descriptive method.

2. Cost account as the primary area of management accounting in Poland

When talking about the genesis of management accounting in Poland, one should refer to its sources and development on a global scale. They had a significant impact on the creation and development of accounting in our country. Therefore, at this point, the article will attempt to prove that, similarly to the international approach, the beginning of management accounting in Poland was cost benefit. However, in the post-war years of the last century, this instrument was, to a small extent, used in the

management of economic units. In the times of the centrally managed economy, it was primarily focused on the implementation of the control function and monitoring the implementation of production plans by enterprises.

The beginning of management accounting is undoubtedly the production cost account, which was used in the management of industrial enterprises in the United States of America as early as in the mid-nineteenth century. In the first phase of the industrial era (1850–1950), there were developed methods of calculating the costs of products, the standard cost account together with the analysis of deviations, indirect cost accounting principles, and then cost budgeting. In this phase, there was also developed the full cost and variable cost account [Szychta 2008, pp. 35–72]. The indicated methods began to be used in planning and controlling operations, as well as in undertaking economic decisions.

The beginning of the second phase of the development of management accounting (1950–1965) is marked by the introduction of the term “managerial accounting” in 1950 by W.J. Vatter. During this period developed, among others, budgeting and cost control, as well as the use of cost information in the decision-making process. The interest in variable costs and the use of regression analysis to estimate and predict costs also increased [Szychta 2008, pp. 53–63].

In Poland, a clear increase in interest in the cost account occurred at the turn of the fifties and sixties of the last century. At the same time, German solutions had a significant influence on the development of this area of accounting in our country after the Second World War. However, the cost account which was present in Polish enterprises boiled down to the recording and reporting subsystem and was treated as an element of financial accounting. At the same time, it mainly carried out information and control functions [Szydełko 2017].

In publications devoted to the cost accounting in the analysed period, the basic issues regarding the nature of costs, their scope and importance in the operation of enterprises were discussed in Poland. Examples of works devoted to this subject can be [Fedak 1958; Minc 1959; Peche 1959; Burzymowa 1963]. In addition, there were discussed procedures for systematic cost accounting, in particular grouping, recording and calculation. This kind of approach to the cost account can be found in the following works: [Skrzywan 1959; Fedak 1962; Matuszewicz 1962; Abramowicz 1963; Messner 1963; Tendera 1963]. The rules and procedures described in these works were subordinated to the determination of the financial result. At the same time, the cost account had to be kept in accordance with specific regulations, the most important being the guidelines of central economic administration [*Wytyczne...* 1960]. Meanwhile, publications began to point to the need to use information on costs in business management. An important item from this period was the work of K. Sowowa [1959], devoted to the inter-departmental analysis of costs in industry.

In the times of a centrally controlled economy, the most important function in accounting, including in calculating costs, was the control function. At that time, this function was well met in the normative costs account. The control function of the

normative costs account was mainly related to planning according to the solutions of state-owned enterprises and monitoring the implementation of plans, and to a small extent to the management of an enterprise. The rules and procedures for calculating normative costs were specified in the previously cited guidelines. Normative costs accounts in Poland in the post-war period are documented in [Fedak 1963/1964; Tendera 1968].

3. Postulated costs account. The work of Wiktor Malc

It is difficult to conclude that the normative costs account indicated in the previous item of the article was within the scope of management accounting, because it was an account maintained obligatorily in accordance with the guidelines of central economic administration authorities: the Planning Committee at the Council of Ministers and the Ministry of Finance. The normative costs themselves were prescriptive ones, ordered to be performed from the top down.

In the field of management accounting, there was undoubtedly a postulated costs account, or in a broader sense, a prioritised cost account. The *a priori* cost account is run in an *ex-post* mode and it uses pre-determined amounts. These can be number specified by the directive, anticipated or desirable. In the case of postulated costs, there are mainly utilised planned quantities and standards of consumption of production factors.

The beginnings of the development of postulated costs accounts in Poland are related to W. Malc, who is the author of a work devoted to this problem [Malc 1963]. In this work, the author presented a comprehensive approach to the concept of postulated costs account, including theoretical attitudes and methodological solutions regarding two fundamental issues: estimating postulated costs and identifying deviations from this category. At the same time, W. Malc pointed to the usefulness of the postulated costs account in the audit of the company's operations.

In the same year 1963, H. Sobis published a work devoted to postulated costs in a company with a long production cycle [Sobis 1963]. This work is a contribution to the development of the postulated costs account in application to the production of a specific nature of the activity. It complements the discussed publication of W. Malc.

The postulated costs account is a kind of a priori costs account which uses the category of postulated costs in the recording system. For the postulated costs, W. Malc considered the values of the model costs such as planned, anticipated, normative and directive costs. He considered the postulated costs as individually necessary in the given business conditions. These costs must be updated due to fluctuations in costs actually incurred. The postulated costs understood in this way are set in the enterprise, which is why they perform well as the internal control function.

W. Malc distinguished two types of the costs' deviations from individually indispensable, i.e. postulated, values. The first type is the correction of individually-priced costs whose task is to bring the postulated costs initially recognised as necessary to the current level of necessary costs. The second type of deviation is the failure

to maintain deviations from the currently required costs which are the differences of costs actually incurred from the current level of postulated costs. Distinguishing such deviations is conducive to the implementation of the incentive function of cost accounting and management steering aimed at the rationalisation of the costs incurred.

The work of W. Malc devoted to the calculation of postulated costs is part of the Polish scientific achievements in the field of management accounting. It is a pioneer work in our country, which comprehensively covers the principles of carrying out the postulated costs account and its use in managing the enterprise. This work also refers to the contemporary currents in management accounting development on a global scale [IFAC 1998]. Postulated costs together with the analysis of deviations should be included in the first stage of its development [Szychta 2008], and it should be currently treated as a method of conventional management accounting [Nowak 2015]. It was developed by W. Malc and presented by him in his work [Jarugowa, Malc, Sawicki 1979], the subsequent editions of which were published in 1990 and 1993. This concept is being further developed, an example of which may be the work of [Sołtys 2006]. The postulated costs account, in particular the standard cost account being its variant, is also commonly employed in practice.

4. Profitability, economic viability, costs.

The work of Jan Falewicz

The postulated costs account developed by W. Malc, in particular the standard cost account as its most important variant, focuses on the estimation of the unit cost. Postulated costs are determined for the unit of the product based on the calculations carried out in the ex-ante mode. They reflect the level of costs individually indispensable under specific conditions of the production process. Therefore, the postulated costs account, in particular the normative costs account, is focused primarily on the control of the production process from the point of view of costs incurred.

Already in the 1930s, E. Schmalenbach criticised the unit's own cost, pointing out its imperfections and limitations [Schmalenbach 1930]. He concluded that analyses based on this cost could lead to incorrect assessments and suggested establishing the relationship between costs and production volume. This view was shared by J. Falewicz, who already in 1947 pointed to the need to apply new methods for the study of own costs [Falewicz 1947]. Then in 1949 he developed the foundations of the method for assessing the economic viability of enterprises, based on the dependence of costs on the volume of production, which he presented in his paper [Falewicz 1949]. This method was developed by him in practice in the following years.

The most important work of J. Falewicz is a book published in 1963 entitled *Rentowność, gospodarność, koszty. Przyczynek do teorii mikroekonomii*. This book is a summary of many years of searching for a suitable method for examining the economic viability and profitability of enterprises using data on costs incurred. At the same time, the work presents the results of research in this field, conducted by

the author in numerous economic units. In this way, J. Falewicz verified empirically the usefulness of the proposed method for business practice.

In this book, J. Falewicz considers three economic categories concerning the company's activity: profitability, economic viability and costs. The costs are measured as part of the regular costs account. The impact on the level of costs contributes to the improvement of profitability. The formation of costs at the lowest possible level can be achieved through the effective use of resources, which is the essence of economy. This approach to rational business is still valid and constitutes the domain of management accounting.

In the assessment of the company's activity, J. Falewicz used the regression function describing the dependence of global costs on the production volume. He estimated this function on the basis of empirical data using statistical methods. At the same time, he used information about fixed and variable costs in various types of planning, control and decision-making accounts. In addition, he dealt with inter-period and inter-company comparisons, taking into account statistically proven correctness. Such analyses have been and are conducted in management accounting, which is an information system for the implementation of management functions.

The profitability and cost-effectiveness analysis using the function of dependence of costs on the production volume was considered by J. Falewicz as part of the enterprise's business model. The model he built took into account relations between various economic categories that characterise the functioning of the enterprise. At the same time, it provided the basis for making rational economic decisions. He quantified categories and relations by using mathematical and statistical methods. It is important that these formal structures were repeatedly verified by their author on the basis of empirical research in enterprises.

At that time, the ideas and methods presented by J. Falewicz in the book *Rentowność, gospodarność, koszty. Przyczynek do teorii mikroekonomii* represented the second phase of development in the field of management accounting. During that period, there was an increase in interest in variable costs and the use of information from this account in decision making in enterprises [Szychta 2008, pp. 52–60]. At the same time, statistical and econometric methods in cost surveys began to be used, as was done by Polish econometrics Z. Pawłowski in his papers [1962, 1965]. This confirms the thesis that J. Falewicz's research on profitability, economic viability and costs referred to global trends in management accounting. It is even more reasonable to recognise him as one of the precursors of management accounting. J. Falewicz thus contributes to the beginnings of development of management accounting.

5. Conclusions

Management accounting is a relatively young accounting area which, however, has a certain tradition in Poland and is subject to rapid development. The changes taking place in the last 60 years in the conditions of the functioning of economic units in

our country have contributed to the development of this sub-discipline. At the turn of the 50s and 60s of the last century, there were undertaken theoretical studies and practical tests in the field of management accounting in various academic centres.

A special role in the initiation and development of management accounting in Poland was and continues to be played by the Wrocław centre. The first major studies in the area of management accounting at this centre were undertaken by professors of the current Wrocław University of Economics: J. Falewicz and W. Malc. Their works published in 1963, dedicated to cost accounting, gave rise to the dynamic development of management accounting in our country. The mission undertaken by them in their time is continued to this day, which certainly contributes significantly to the development of Polish management accounting.

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