



**MOLDOVA STATE UNIVERSITY**

Manuscript:  
**CZU: 657.1:005.53:368(478)(043)**

**DOLGHI VLADIMIR**

**RECONFIGURATION OF MANAGEMENT ACCOUNTING IN INSURANCE  
COMPANIES AS PART OF THE MODERNISATION OF THE INTERNAL  
DECISION-MAKING SYSTEM**

**522.02 ACCOUNTING; AUDITING; ECONOMIC ANALYSIS**

**Summary of the PhD thesis in Economic Sciences**

**CHIȘINĂU, 2024**

The thesis was developed within the department „Accounting and Economic Informatics” of the Moldova State University

**Scientific supervisor:**

**COJOCARU Maria**, PhD in economics, Associate Professor, MSU, Republic of Moldova

**Official Reviewer:**

1. **Official reviewer - TIMUȘ Angela**, PhD in economics, Associate Researcher, National Institute for Economic Research, ASEM;
2. **Official reviewer - GROSU Veronica**, PhD in Economics, University Professor, „Ștefan cel Mare” University of Suceava, Romania.

**Composition of the Specialized Scientific Council for the public defense of the PhD thesis:**

1. **President - BÎRCĂ Aliona**, Habilitated doctor in economics, Associate Professor, ASEM;
2. **Scientific Secretary - LUȘMANSCHI Galina**, PhD in economics, Associate Professor, MSU;
3. **Member - ULIAN Galina**, PhD in economics, University Professor, MSU;
4. **Member - MIHAILA Svetlana**, PhD in economics, Associate Professor, ASEM;
5. **Member - GOLOCIALOVA Irina**, PhD in economics, Associate Professor, MSU;
6. **Member - GRIGOROI Lilia**, PhD in Economics, Associate Professor, ASEM

The defence will take place on 26.04.2024, at 14.00, in the meeting of the **Specialized Scientific Council D 522.02-24-13** of the Moldova State University, address: Alexei Mateevici St, No. 60, central block, Chisinau municipality, MD-2009, 3rd floor, cab. 331.

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The summary was sent on 22.03.2024

**Scientific Secretary of the Specialised Scientific Council for the public defence of the PhD thesis,**  
PhD in economics, Associate Professor



**LUȘMANSCHI Galina**

**Scientific supervisor:**  
PhD in economics,  
Associate Professor



**COJOCARU Maria**

**Author:**



**DOLGHI Vladimir**

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## CONCEPTUAL RESEARCH BACKGROUND

**The topicality and practical importance of the subject matter.** In modern society, insurance services play an increasingly important role in the development of national and global economies. Insurance is a means of protecting the interests of citizens and business activities, but it is also an important mechanism for redistributing resources in the economy. By providing compensation for unforeseen losses, insurance companies contribute to the consolidation and stabilisation of society, stimulate domestic market entities to be more active, grow faster and integrate into the global economy.

Insurance is an instrument of protection against unpredictable financial losses (basic function) and has existed in one form or another for hundreds of years, which in modern times have developed and changed, the penetration of insurance in all spheres of human life has increased considerably. The development of insurance is diverse: from damage to the life, health or property of an individual person to damage to large international companies and corporations amounting to millions of euros. The functions of insurance are determined by the role it plays in everyday life and the areas it can influence. At the macro and micro levels, insurance performs important functions, including distribution. Insurance accumulates and distributes money within society. Insurance can reduce production costs; it can reduce production interruptions by providing prompt compensation for losses and accelerating business recovery after interruptions; it can also serve as a source of investment in the economy. It benefits the national economy as a whole, as well as individual business activities and individuals.

The social importance of insurance cannot be ignored. For example, compulsory or optional health insurance, which provides citizens with medical support, pension insurance or accident insurance, which allows citizens to receive benefits in the event of disability or death. The social function is to provide material support to citizens in difficult times, to solve problems related to health or disability.

By providing protection to other enterprises and assuming their risks, the insurance company conducts its financial and economic activities in an uncertain external and internal business environment. On the one hand, the insurance company is an economic entity that carries out its business activities under conditions of risk and, on the other hand, the object of its activity is the insurance risks assumed through insurance contracts concluded with customers, i.e. the risks of other economic entities. This suggests that insurance companies, unlike entities in other sectors of the economy, are more exposed to the uncertainty of the business environment and their activities are associated with the contingency of key results and performance indicators.

In this context, the issue of accounting support, through the provision of qualitative information on the insurer's business processes, is topical and essential, as it affects the continuity of the business. The research on the aspects of management accounting, its evolution in the insurance industry and its transformation in the context of the modernisation of the business models in the sector is little developed, and there are practically no empirical studies at the national level that contribute to solving the given problem. Therefore, the author of the present study provides new insights into the development of conceptual, methodological and applicative aspects of management accounting in the context of the modernisation of the decision-making system in local insurance companies.

**Description of the situation in the field and identification of research problems.** The problems of management accounting and the current situation of the modernisation of the internal decision-making system have been addressed in the research works of foreign and domestic scientists, as well as from the Republic of Moldova: V. Țurcanu, G. Ulian; V. Bucur; A. Nedeița; L. Grigoroî, S. Mihaila, M. Cojocaru, L. Lazari; I. Golocialova; A. Bîrcă, L. Bugaian; L. Grabarovschi; E. Bajarean; G. Lushmanschi, G. Badicu; V. Panuș and others; from Romania: V. Grosu; N. Tabără; S. Briciu; S. Oprea; R. M. Lascu and M.A. Pușcaș; from the Russian Federation, N. I. Chupakhina; Ya. V. Sokolov; V.T.Chaya; A.D. Sheremet; S.M. Shapiguzov; O. E. Nikolaeva, T. V. Shishkova; S. A. Nikolaeva; T. P. Karpova; V. E. Kerimov; S.N. Polenova; from the USA: Charles T. Horngren and J. Forster; English economist K. Drury; from France: R. Aubert, etc.

The authors have reviewed various studies in the field of management accounting and decision-making system, examined the problems in this field and found it to be an important area in the

development of a modern company operating in a competitive economy, which requires constant study and modernisation of the internal decision-making system, but also provides it with information through the management accounting information system in order to argue management decisions.

In the given context, the analysis of the current situation of accounting organisation and providing the internal decision-making system with true and timely information, especially in the insurance sector of the Republic of Moldova, determined the research topic of the problems in the given sector regarding the organisation of accounting for business processes specific to the insurance activity, the problems of IFRS implementation and their effects on the accounting policy of the company in the insurance sector, including those related to the need to provide managers at all levels of the insurer's management with information for decision-making. In preparing this study, the author has taken into account the views of domestic and foreign authors, legislative and regulatory acts in this field at the national and international level.

**The subject of the research** is the information flows related to the current practices of management accounting organisation in the insurance companies in the country; the business process models practised by the mentioned entrepreneurs; the management accounting information system existing in this sector of the national economy and its usefulness for the elaboration and justification of management decisions in the insurance company in the Republic of Moldova and for the evaluation of its performance by the stakeholders; at the same time, the author has analysed the information flows from the entities: "GENERAL ASIGURĂRI" J.S.C., "INTACT ASIGURĂRI GENERALE" J.S.C., "MOLDCARGO" J.S.C., "TRANSELIT" J.S.C., and other insurance companies and insurance intermediaries, professional participants of the insurance market in the country.

**The aim of the research** is to study the theoretical and applied aspects of accounting organisation within the business processes specific to the insurance company's activity in order to identify the existing problems and to determine the priority directions of reorganisation of accounting and management reporting in connection with the implementation of modern business models in the insurance industry in the country and the modernisation of the internal decision-making system in accordance with international development trends and practices of developed economies.

In order to achieve the proposed objective, the following **targets** have been set:

- ✓ to research the premises of the emergence, stages and trends of the development of management accounting, the development of its information system;
- ✓ to examine the definition of management accounting in relation to the development of modern business models;
- ✓ to analyse the management accounting information system as a producer of information for internal decision-makers and stakeholders;
- ✓ to describe business processes in the insurance sector and the impact of IFRS on accounting organisation policies within them;
- ✓ to identify methodological issues and current problems in improving the quality of management accounting in insurance companies;
- ✓ to investigate the reporting framework and identify solutions related to the information security of the insurance company's internal decision-making process in the context of its modernisation;
- ✓ to identify the particularities of the implementation of the reorganisation of management accounting and reporting in the context of the modernisation of the decision-making system of the insurance company.

**Presentation of the research methodology.** The research carried out is based on the dialectical method with its basic elements: analysis, synthesis, induction, deduction, as well as the methods characteristic of economic disciplines: observation, comparison, selection and grouping. The research is based on the results of studies carried out by local and foreign scholars and researchers, as well as on international and RM normative acts in the researched field. At the same time, international best practices in the field of IFRS implementation, especially specific to the organisation of accounting for insurance operations, were identified and researched, which can contribute to the development of the accounting and internal decision-making system of insurance companies in the Republic of Moldova.

The types and content of non-financial information reported at the local level by public interest entities in the non-banking sector and presented on their official website were studied. The comparative method used was a good support to identify differences in reporting rules and practices at national level compared to European and global ones. In order to have a good understanding of the role of reporting in the decision-making process and its influence on the evaluation of the company's performance, I collected and analysed information from theoretical and methodological sources, information from the National Bureau of Statistics, scientific databases, including empirical ones. In the process of scientific abstraction, the impact of International Financial Reporting Standards on improving the quality of information provided to stakeholders was assessed.

The analysis of a number of scientific, methodological and practical works, legislation and regulations at national and international level enabled the author of the study to formulate opinions on the issues addressed.

**The research hypothesis** is based on the need to develop management accounting in the insurance industry of the Republic of Moldova in the context of the implementation of modern business models in the given sector of the national economy, which require its transformation and the new configuration of internal financial and non-financial reporting, contributing to the improvement of management processes at all organisational levels of the insurance company, the efficiency of its activity and the assessment of its performance by stakeholders.

**The main scientific results submitted for support are:** deepening the definition of management accounting in the environment of the development of modern business models in the insurance sector; recommending the information system of management accounting as a producer of information on internal factors for management decision-making; proposing solutions to the current problems of improving the quality of management accounting in the researched sector and recommending its organisation by business processes of the insurance company; recommending to insurance companies in the country techniques for configuring and implementing management accounting according to the modernisation of the internal decision-making system in the insurance sector.

**The important scientific problem solved** is to identify the priority directions of development and reconfiguration of management accounting in insurance companies in the Republic of Moldova in the context of implementation of modern business models in the insurance industry in the country and modernisation of the internal decision-making system according to international development trends and practices of developed economies. The solution of the problem proposed in the research has demonstrated the advantages of the formulated recommendations related to the implementation of new accounting and management reporting configurations in the context of modernisation of the internal decision-making system of the insurance company, innovative approaches to ensuring the financial stability of the insurer, their contribution to the efficiency of the activity of local entities in the researched sector, their visibility on the market, development of the client portfolio, strengthening of relations with the community and capital increase.

**The scientific novelty** consists in the substantiation of the recommendations for the design and implementation of management accounting in the insurance sector in accordance with the modernisation of the internal decision-making system of the insurance company and aims at the following innovative elements:

- ✓ to deepen and theoretically develop the concept of management accounting in the context of the development of modern business models in the insurance sector;
- ✓ to substantiate an innovative approach to the management accounting information system as a producer of information for the internal decision makers of the insurance company;
- ✓ to address the issue and develop recommendations to improve the regulatory framework applicable to the insurance sector in relation to the impact of IFRS on the accounting policies of insurance companies;
- ✓ to develop criteria to assess the reporting framework and identify solutions to inform the internal decision-making process of the insurance company in the context of its modernisation;
- ✓ to identify and solve problems related to improving the quality of accounting and management reporting in insurance companies by redesigning them in the context of modernising the decision-making system of the insurance company.

**The theoretical significance and application value** derive from the theoretical and practical applicability of accounting to the specific business processes of the insurance enterprise's operations at the local level. The theoretical significance lies in the ability to provide an understanding of business processes in the insurance sector and the organisation of accounting within them.

*The applicability of the research is confirmed by:*

- the argumentation of an instrument compliant with managerial accounting connected to new business models in the insurance sector;
- recommending the management accounting information system to decision makers at all levels of insurance company management;
- using practical recommendations on the use of techniques for configuring management accounting according to the modernisation of the internal decision-making system for each business process of the insurance company;
- recommending a series of internal reports prepared by the author according to the specifics of the business processes in the context of insurance, and, if necessary, simulating the solvency and availability of the insurance company's assets to cover technical reserves and minimum capital requirements at any time it is necessary to calculate.

**Implementation of the scientific results projected in the thesis.** The thesis materials are used in the practical activities of national insurance companies: "General Asigurări" J.S.C., "Intact Asigurări Generale" Company, "TRANSELIT" International Insurance Company, Internal reports developed according to the specifics of each business process of the insurance company in general part were implemented in SAR "Moldcargo" J.S.C., but also in other entities in the researched sector.

At the same time, the scientific results projected in the thesis were materialised through the implementation of the model of separate accounting by business processes, specific to the activity of insurance companies in the country, following the organisation of the training course in the MSU: "*General International Accounting Principles in the Practice of Insurance Companies under IFRS*" for practitioners, 900 hours. The author was the trainer of the course and co-author of the manual "*Accounting of Insurance Companies*". The intellectual property rights for the *Accounting principles under IFRS* are held by the author. This manual will be used by the scientific-didactic staff within the framework of teaching the subject "Accounting of Insurance Companies" in the specialisation "Accounting", cycle I, Bachelor's Degree at the MSU and other higher education institutions in the country. At the same time, the implemented results can also be used by national and international regulatory bodies. From 18 to 26 September 2023, within the framework of the programme for the continuous professional training of insurance experts, with the topic *Application of International Financial Reporting Standards. IFRS 17 "Insurance Contracts"*, the author of the thesis carried out activities as a trainer in the volume of 30 hours.

In the period 2013-2019, the author of the thesis participated in the development of policy documents in the real sector of the national economy within the programme: "*Strengthening Audit and Financial Reporting in the Eastern Partnership Countries*" (STAREP), EduCoP project. As a result of the project, with the support of the World Bank, the "*Strategy for the development of accounting and auditing in the Republic of Moldova*" was developed, of which the author of the given paper is one of the co-authors.

The acts of implementation of the scientific results in 4 insurance companies of the country are presented by the author in the Annexes of the work.

The results of the research have been published in 17 scientific papers in journals approved by ANACEC and in national and international scientific forums. The author has also published various materials related to the implementation of IFRS 17 in the country's insurance sector in other relevant journals.

**Scope and structure of the thesis.** The thesis consists of: annotation, introduction, three chapters, conclusions and recommendations, bibliography (255 titles), 29 annexes, 141 pages of basic text, 7 tables and 9 figures. The results are published in 17 scientific papers.

**Keywords:** management accounting; insurance companies; accounting policies; accounting configurations; financial reporting; International Financial Reporting Standards; information system, business processes; decision-making processes; internal management system of insurance companies; decision-making architecture; insurance business model.

## THESIS CONTENT

**The introduction** highlights and argues the topicality of the research topic and the importance of the problem addressed, as well as the important scientific problems solved in the field of management accounting and decision-making system, the aim and objectives of the research carried out by the author of the thesis, the applicability value and the main scientific results submitted for support. The author shall indicate the entities that were the subject of the research, the entities where the research results were implemented, information on the author's publications, the volume and structure of the thesis.

**Chapter 1. THEORETICAL-CONCEPTUAL BACKGROUND ON MANAGEMENT ACCOUNTING AND ITS DEVELOPMENT AS A PART OF INSURANCE COMPANY MANAGEMENT.** The author analyses the results of research on the concept of management accounting, the stages of its development, the usefulness of its information system for making managerial decisions at all hierarchical levels of management of the enterprise. At the same time, the author has analysed various points of view of domestic and foreign researchers on the definition of the nature, role and functions of accounting in the world economy; the importance of management accounting in the management of the enterprise; determined the methodological prerequisites for the organisation of a management accounting system in the insurance industry and established its importance in the management of an insurance company.

*The main organisational and methodological approaches to the definition and identification of management accounting resulting from the author's research have been grouped as follows:*

1. In the approaches of scholars C. T. Horngren and J. Forster; R. B. Schattke and H. G. Jensen; S. A. Nikolaeva, F. T. Hot, M. A. Zholaeva, A. P. Arkhipov and others, **management accounting** is interpreted **as an information system for enterprise management**.
2. The scholar N. Tabără, a well-known researcher in Romania, *treats the concept of “management accounting” as a part of the management process, producing information necessary for management planning and control*. Another Romanian scholar, S. Oprea, defines *management accounting as a reflection of all operations for collecting and allocating costs to departments and calculating the cost of products*.
3. Authors A. Chmel, B. Needles, O. E. Nikolaeva, T. V. Shishkova consider that *management accounting provides only for collection, recording, systematisation of accounting information or management accounting and define it as a subsystem of accounting*.
4. According to the scientist R. Anthony, the researchers R. V. Schattke and H. G. Djensen, there is another opinion about the essence of management accounting, namely as *“production of information for management”*, Professor M. A. Vakhrushina holds the same view.
5. The local academic, Professor V. Turcanu, *defines management accounting as an integrated accounting system aimed at ensuring the collection, processing, interpretation and presentation of financial and non-financial information in management reporting*. Authors O.E. Nikolaeva, T.P. Karpov, V.E. Kerimov, A.D. Sheremet, S.N. Polenova and others agree *that management accounting is an independent integrated accounting system*. Dr S.N. Polenova also points out that *management accounting data is also used as a means of achieving business success and helps to reduce business risks*.

In papers published in relevant journals and scientific forums, *the author of the thesis has demonstrated his disagreement with the definition of management accounting as a subsystem of corporate accounting*.

At the same time, after further research, the author proposed a new definition: **“Management accounting is an independent and integrated accounting system that records, processes and provides financial and non-financial information for internal reporting and management decision-making, enabling the construction of a modern business system for other stakeholders to measure the efficiency of invested capital and assess the performance of the entity”**. According to the author, this *definition* represents the current tasks of management accounting, which corresponds to the development of the modern competitive economy and expands its functions, which must have a strong information system for both internal users and other stakeholders and, at the same time, through the information presented in non-financial reports, contribute to the visibility of the entity and the increase of capital.

The chapter also focuses on the stages of development of management accounting. Professors Jacob G. (Jake) Birnberg, University of Pittsburgh, and Michael D. (Mike) Shields, Michigan State University,



suggest that the beginnings of management accounting research in the USA, as distinct from cost accounting research, should be considered around 1960, when two important events occurred. Firstly, cost accounting expanded with the emergence of management accounting. Prior to 1960, for example, manuals focused almost exclusively on cost accounting, not management accounting, and emphasised product costing for inventory valuation and revenue determination. The „standard cost” method appeared in the USA at the beginning of the 20th century, where the problem of determining costs on the basis of technical calculations and studies of consumption of raw materials, materials and time was first raised. This method has undergone several modifications and constant improvements, and its use has been permitted in several countries. Secondly, in 1959, the Ford Foundation proposed the professionalisation of business education in universities and, to achieve this, called for greater emphasis on research in business and management accounting. However, research in the field, which was under development before this journal appeared, was scarce and concentrated in a few universities. Most of these universities had one or two faculties that educated management and management accounting professionals and, as a result, did not provide much support for research for a number of reasons, including: funding, research support, IT support, reduced teaching loads. In the 1960s, a group of young professors interested in management accounting research, led by William W. Cooper, developed this research and later, in 2002, Professors Jacob G. (Jake) Birnberg and Michael D. (Mike) received the first lifetime achievement award for contributions to the development of management accounting.

The historical background of the classification of the stages of development of accounting by research economists and, as a part of it, management accounting, is given in the published works of researchers from the Russian Federation, N. I. Chupakhina, Ya. V. Sokolov and in other scientific works. On the basis of the research conducted on the subject of identifying the stages and conditions of the emergence of management accounting in different countries of the world, the author of the thesis has presented his own view of the history of its development, namely: the initial stage in the development of management accounting can be considered to be up to the 1950s, the second stage - the period 1950-1965, the third stage - the years 1965-1985, and the stage of progressive development begins from 1985, which continues to improve depending on the country and the business models implemented at the macro and microeconomic level. According to the author, the development of management accounting has been conditioned by several factors of economic and social development. International practices in the field of management accounting were first discussed at the level of the Financial and Management Accounting Committee (FMAC) of the International Federation of Accountants (IFAC), which made its position known in a paper published in 1989 and revised ten years later.

The Romanian academic TABĂRĂ, N. argues that each category of concepts articulates with others to form the conceptual framework of management accounting, which the author graphically presents in Figure 1.1.

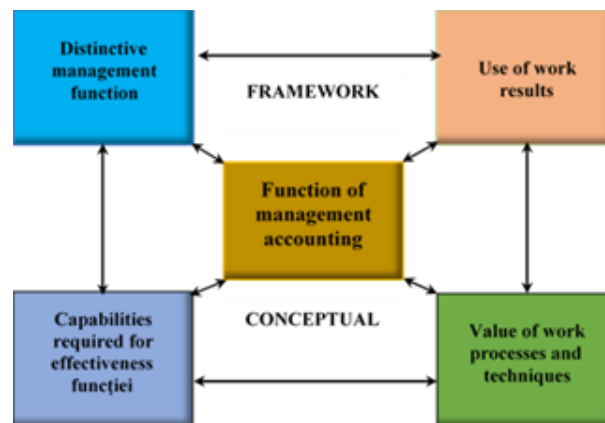


Figure 1.1. Conceptual framework and functions of management accounting

Source: Prepared by the author based on source no. 151.

The concepts mentioned in Figure 1.1 define *management accounting as part of the management process, producing information needed for management planning and control*. Looking at the role of management accounting through the prism of its importance in achieving the key objectives of the business, fundamental changes in the understanding of the nature of management accounting and its place in the business management system are predetermined. Schematically, the nature and place of management accounting in the management system of the entity is presented by the author in Figure 1.2.



Figure 1.2. Management accounting in the enterprise management system

Source: prepared by the author on the basis of sources 10, 22, 168, 242.

The analysis of the relationship between the structural elements of the enterprise in the management system presents management accounting as a truthful source of information for all levels of management decision-making within the enterprise and for stakeholders.

In Chapter 1, the author of this thesis has also examined „*management accounting*” as an information system. According to the researcher Ramona VASILESCU, Tibiscus University of Timisoara, Romania, any economic analysis of an economic unit is based on information, considered as a resource, and the way it is communicated. According to the author, any information system can be divided into three main components: inputs, processing and outputs. The quantitative relationship between these three components, which does not show their subordination but reflects how data, information and knowledge work together in a continuous process, i.e. data can be used to obtain information and knowledge and knowledge can be used to obtain information and data, is shown in Figure 1.3.

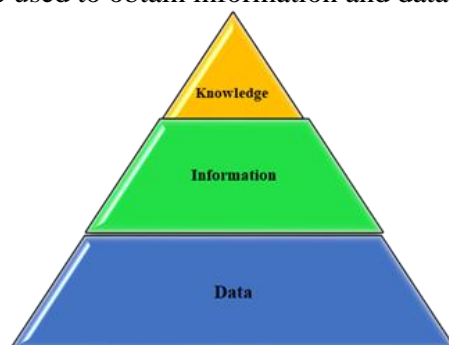


Figure 1.3. Information pyramid.

Source: Adapted from source no. 131.

In the author's view, information systems are studied within the domain in which they operate and, in turn, *accounting is itself an information system that processes, collects, stores, processes and distributes information to those who need it.*

The information system that can provide the information required is the system that produces and distributes information, ensuring both the collection and processing of data and its dissemination to interested parties. In this way, the author presents the life cycle of the information system in Figure 1.4.



Figure 1.4. Information system life cycle

Source: Prepared by the author.

According to Romanian researchers R. M. Lascu and M. A. Pușcaș, accounting information and accounting information systems are an increasingly important aspect in economic decision-making and in

ensuring transparency in decision-making. At the heart of the economic information system, *accounting information resulting from the use of information technologies remains the only source of communication and understanding of economic life*. Concurrently, the authors believe that the term „accounting information system” or „accounting informational system” used in the literature indicates that accounting can be considered as a system and that the information provided by this system is specific to accounting, thus creating a real means of communication with the external environment, but also within the company, between departments or sectors of activity.

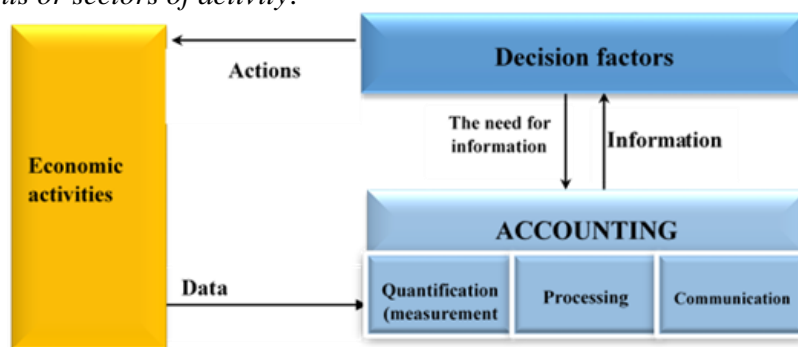


Figure 1.5. Accounting as an information system in the decision-making process

Source: Prepared by the author on the basis of sources 22, 96, 126.

On the basis of the conducted research, the author of the thesis has come to the conclusion that the *information system of management accounting, established in the modern enterprise, is a basis for decision-making, as it records the phenomena and processes of the daily activity of the enterprise and produces information using the latest generation information technologies; it provides them in real time, ensuring the information needs of internal decision-makers and other stakeholders.*

The outline of the *management accounting information system* as a producer of information for decision-makers at all organisational levels of management of the entity and for stakeholders is presented by the author of the thesis in Figure 1.6.

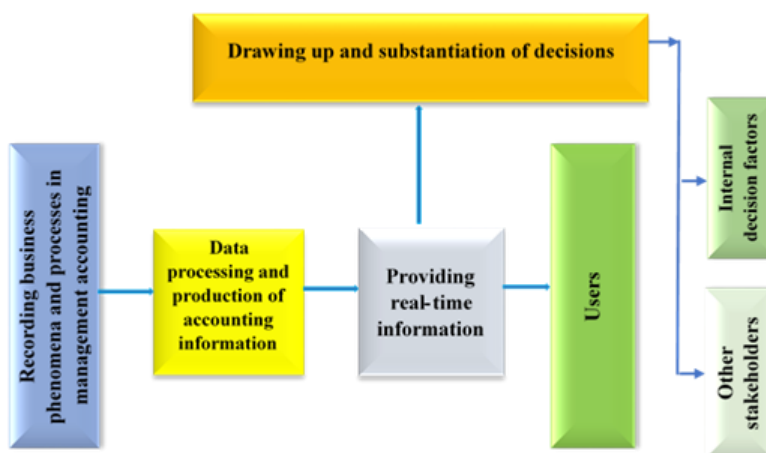


Figure 1.6. The management accounting information system in the information and decision-making process.

Source: Prepared by the author.

The need for relevant information in the management processes of entities, the implementation of modern decision-making models, condition the reconfiguration of management accounting in any sector of the economy, both nationally and globally. The results of the research on how the new decision-making models are involved in the reconfiguration of management accounting in insurance companies in the country are presented below by the author of the thesis. Insurance companies are part of the country's non-banking financial system, they are public interest entities and their activities are supervised by the State. The supervisory authority representing the State is the National Commission for Financial Markets (CNPF), which is responsible for strengthening the regulatory and supervisory system of the non-banking financial market and increasing its competitiveness.

With the development of the competitive economy, insurance companies, in addition to their core functions, have begun to perform additional functions, including the activity of investing own and drawn

reserves, technical reserves formed from insurance premiums received from policyholders, in accordance with the applicable legal and regulatory framework. These processes allow companies in the given sector of the economy to generate additional income year on year, improve their financial position and expand the circle of interaction with many financial and non-financial structures at the micro and macroeconomic levels. The supervisory authority is currently implementing measures to ensure the solvency of insurers and the fulfilment of their obligations towards consumers. The current measures represent a new stage in the development of the domestic insurance industry, which provides for the modification of the legal and regulatory framework, the transition to new European standards applied to the capital of insurance and/or reinsurance companies, which relate to the prudential requirements of Solvency II, the European Directive standard, which corresponds to the current conditions of development of the insurance industry in countries with performing economies and which is a test of the maturity of the local insurance market. In this context, the author has studied and developed the *insurance business process model* in accordance with the recently implemented regulatory framework. According to the provisions of the regulatory framework, the activities of the insurance company can be grouped *into three consolidated business processes*: (1) negotiating and concluding insurance contracts; (2) handling claims; and (3) investing own and drawn reserves and technical reserves.

The outline of the *insurance business model* developed by the author, separately for each consolidated process, is shown in Figures 1.7, 1.8 and 1.9.



Figure 1.7. Insurance business process model: „Negotiation and conclusion of insurance contracts”, Source: Prepared by the author.

The consumer's application is accepted only after the risk has been assessed, the insurance rate has been set and, if necessary, the risk has been negotiated with the reinsurance partners. Another action resulting from the insurance activity regulated by the legal framework and forming part of the insurance business model is the *consolidated claims handling process*, the outline of which is presented below in Figure 1.8.

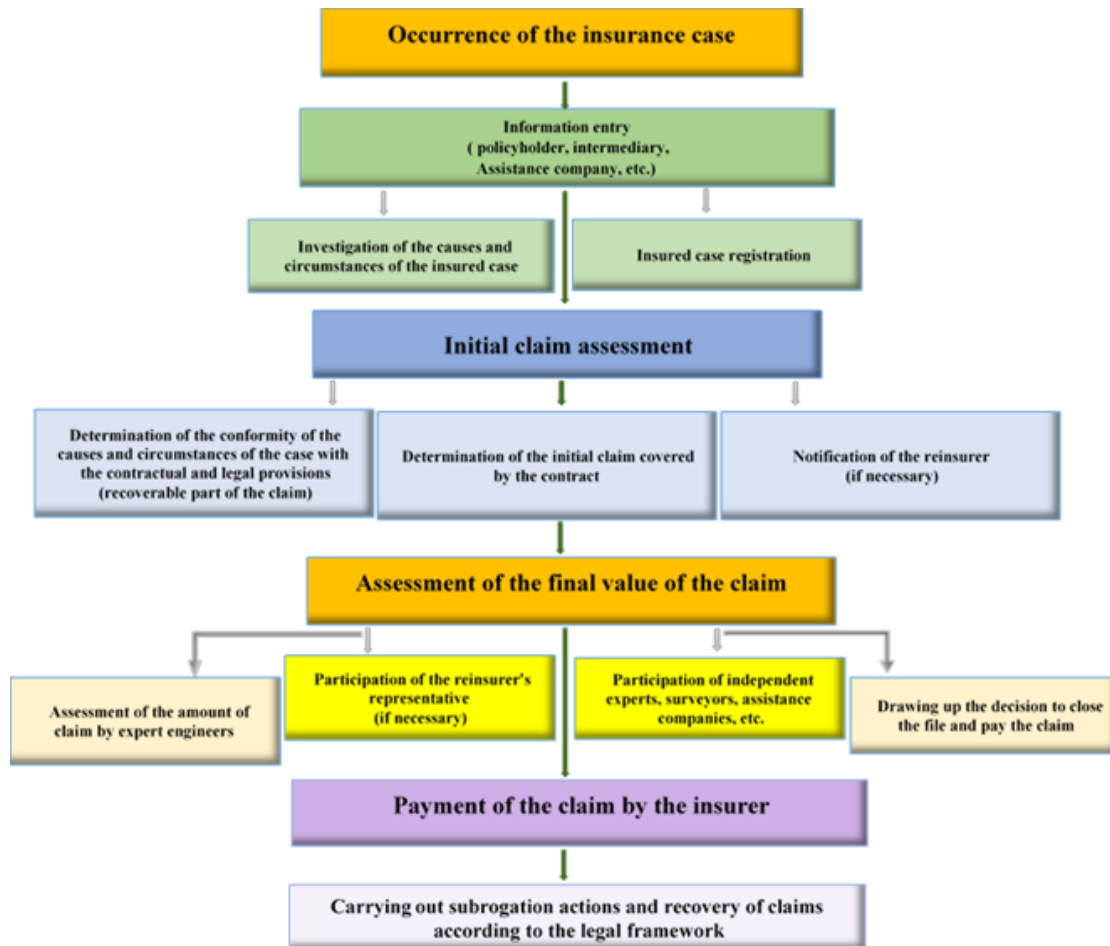


Figure 1.8. Insurance business process model: „Claims handling”.

Source: Prepared by the author.

The consolidated *claims handling* process includes several processes, and its efficiency is strongly influenced by the organisation of claims handling and the time frame for its completion.

The investment policy of the insurance company is developed and approved in the long and short term. The investment of own reserves, drawn reserves and technical reserves is subject to the legal framework and has several stages related to the requirements of the marketing policy, the investment policy and the profitability of their placement. In Figure 1.9, the author of the thesis schematically depicts *the insurance business process model with respect to the investment of own and drawn reserves and technical reserves*.

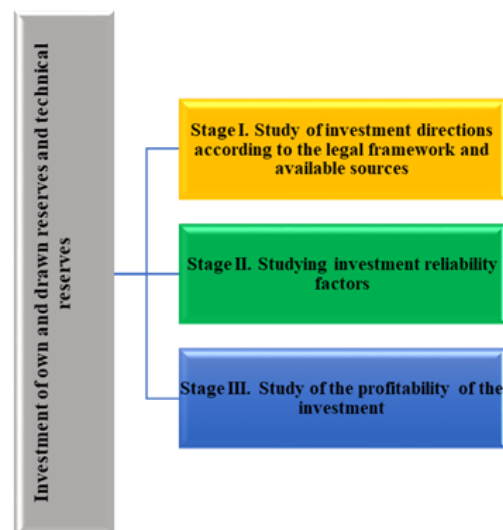


Figure 1.9. Insurance business process model: „Investment of own and drawn reserves and technical reserves”.

Source: prepared by the author on the basis of Law 92, Source 89.

Each of these business processes has an independent management accounting object, as they can be managed separately. Thus, this approach makes it possible to determine the place of management accounting in the management system of the insurance company, not only in economic terms, but also in functional terms. If the economic aspect of management functions means explaining them in terms of economic indicators, the functional aspect means interpreting them in terms of management functions.

**Chapter 2. METHODOLOGICAL AND APPLICATION APPROACHES TO MANAGEMENT ACCOUNTING AS PART OF THE MODERNISATION OF THE INTERNAL DECISION-MAKING SYSTEM OF THE INSURANCE COMPANY** deals with the effects of the introduction of IFRS on the accounting policy of the insurance company. The author proposes solutions to improve the quality of *management accounting in insurance by business processes of activity of entities* in the given sector, focuses on the issue of methodology of its organisation, exploiting the quality of information presented to the internal system for decision-making.

As part of the process of harmonising Moldovan legislation with the requirements of European Union directives and supporting the country's economic integration into the EU, priorities have been set for the development of the accounting system in Moldova. In the insurance sector in the country, certain necessary measures and actions have been established, including the regulatory mechanism of accounting and financial reporting through the Accounting Law and, from 2019, through the Law on Accounting and Financial Reporting. As a result, the International Financial Reporting Standards (IFRS), which are mandatory for public interest entities, including insurance companies, have been implemented as part of the development of national accounting regulations. The new Law on Accounting and Financial Reporting establishes the basic legal framework, general principles and requirements, as well as the regulatory mechanism in the field of accounting and financial reporting in the Republic of Moldova.

The accounting treatment for insurance contracts is currently set out in IFRS 4, Insurance Contracts. This standard is not limited to insurance entities but applies to all issuers of insurance contracts and may therefore affect other entities that issue contracts that meet the definition of an insurance contract. IFRS 4, Insurance Contracts, is a provisional standard.

Accounting within an insurance enterprise has a number of functions and, in order to provide information to decision-makers and stakeholders, the following key functions can be assigned to accounting within an insurance enterprise, Table 2.1.

Table 2.1

The basic tasks of accounting for the purpose of providing information to decision-making

Tasks of accounting for the purpose of providing information to decision-making	– to provide the management with complete and truthful information on: the financial situation of the company; critical situations in the fulfilment of contracts concluded, in the supply of raw materials or in the shortage of funds, etc;
	– settling accounts with debtors and creditors and regulating relations with them and with the Company's employees regarding remuneration for work and funds transferred under the responsibility of the holders of advance payments;
	– controlling the activities of persons with material liability;
	– responsibility for the timely payment of the entity's debts to the budget, social funds and mandatory health insurance;
	– full responsibility for cash and money transfer transactions;
	– submitting financial statements, statistical and tax reports to tax, social security and health insurance authorities, statistical and control bodies in a timely manner.

Source: Prepared by the author according to legal provisions

For the purpose of recording economic operations in the accounts of the entity, by order of the Ministry of Finance no. OMF119/2013 dated 06.08.2013, the General Chart of Accounts was introduced, with its entry into force on 01.01.2014 and mandatory application from 01.01.2015. The general chart of accounts applies to companies that use double-entry bookkeeping, with the exception of companies that apply IFRS and are obliged to prepare the chart of accounts. The author of the thesis also participated in the development of the chart of accounts as a co-author of the manual: *Accounting for Insurance Companies. The accounting policy in accordance with IFRS*, which has the character of a recommendation for insurance companies at the national level and is used for the purpose of teaching the course „Accounting of Insurance Companies” at the „Accounting” specialisation of the Moldova State University and other educational institutions in the country. The chart of accounts was developed on the basis of IFRS and regulates the way of recording economic facts in the accounting of insurance companies in



accordance with its provisions, other accounting regulations and normative acts in the field of insurance at the national level, which is annexed to the doctoral thesis. It has been implemented in several insurance companies since 2012. Economic facts are recorded in the accounts according to their economic content in double-entry bookkeeping, in accordance with the internal accounting rules and policies of the insurance company. The chart of accounts, which is published and recommended both in educational institutions for the purpose of training high performance accountants and in the practice of insurance companies in the country, describes each class of accounts and their purpose.

For the organisation of management accounting in insurance companies in the country, the author has proposed in the plan of working accounts *class 8 „Management accounts”*, which includes accounts intended to generalise information on costs, income from the sale of goods in cash, re-invoiced costs and other costs, comprising calculation accounts and other management accounts. The accounts of the specified class are closed at the balance sheet date with the balance sheet and/or profit and loss accounts.

Income from insurance premiums, commissions, subrogation and regression income, investment income, financial gains and other operating income shall be recorded in the accounts that function as asset and liability accounts in *class 6 „Income”*. These accounts are credited during the period with the cumulative amount at the beginning of the period of the income recognised in accordance with the accounting rules and debited at the end of the period with the total financial result. In accordance with the accounting policy, the debit to the account for insurance premiums received during the period includes insurance premiums on risks ceded under reinsurance, premiums on cancelled contracts, amounts arising from the establishment of insurance reserves and other amounts. Analytical records of income are kept in the accounts of class 2.

In recognising expenses, insurance companies use the accounts in *class 7 „Expenses”*, which comprise operating expense accounts designed to generalise information about claims incurred, acquisition expenses related to insurance contracts, marketing and distribution expenses, administrative expenses, other operating expenses, investment expenses and financing expenses. These accounts are charged at the beginning of the period with the cumulative amount of operating expenses recognised in accordance with accounting standards and credited at the end of the period with the total financial result. Depending on the accounting policies of the insurance company, the accounts shown may have functions not only as asset accounts but also as liability accounts.

The accounts in classes 1 to 5 of the chart of accounts for the organisation of accounting in an insurance company comprise the balance sheet accounts, similar to the general chart of accounts.

In the insurance sector, accounting objects can be defined according to the *business processes organised within an insurance company*. The accounting items specific to the activity of the given branch of the economy, which characterise the financial and asset situation of the insurance company, include: insurance premiums, claims payments, remuneration to insurance intermediaries, reinsurance premiums, insurance technical reserves, general and administrative expenses and other accounting items related to the insurance activity. In accordance with the legislation in force, the author has identified in Chapter 1 of the thesis three consolidated business processes that can be distinguished for insurance companies: *the negotiation and conclusion of insurance contracts; the handling of claims; and the investment of own and drawn reserves and technical reserves* (Figures 1.7, 1.8 and 1.9 of the thesis).

The tasks of management accounting in the business process of *„negotiating and concluding insurance contracts”* are the collection of insurance premiums, the tracking of information about insurance contracts concluded, their payment, as well as the analysis of records by insurance contract, by type of insurance, by insurance products, by subdivisions and other sales channels: own network managers and intermediaries, methods of attracting an insured, and many other categories.

The author also presents, on the basis of a case study, the accounting treatment of premiums written and policy settlements in the accounts of insurance companies applying IFRS 4-compliant accounting policies. *Case study*. In March 2023, the insurer "X" collected premiums of 2 123 500 lei from insurance contracts concluded by 3 employees of the sales department and, according to the reports submitted by the insurance intermediaries, collected premiums of 3 758 180 lei from contracts brokered.

The insurance premiums underwritten during the period in question were collected by the insurer:

1. in the cash desk on contracts concluded by employees in the amount of 1 852 600 lei;
2. to the current account in national currency:
  - for policies taken out by employees for the amount of 263 520 lei;
  - for contracts taken out by insurance intermediaries for the amount of 2 603 150 lei.

Premiums collected by insurance intermediaries on the current account in national currency on contracts paid to them by policyholders in March 2023 amounted to 1 155 030 lei.

Under the terms of the mandate contract, the intermediaries' commission is 12% of the written premium and is paid by the insurer out of the premium received by the insurer. The remuneration of employees under individual employment contracts is 5% of the gross written premium. The payment is made in accordance with the terms of the employment contracts out of the salary liabilities calculated from the insurance premiums paid by the policyholders to the insurer.

The insurer paid the insurance intermediaries' commission from the current account in national currency, and the employees' salaries deducted from the amount of taxes and compulsory medical insurance from the cash desk.

Table 2.2

1st and 2nd level account groups developed to organise the accounting of the insurance company within the business process “Negotiation and conclusion of insurance contracts”.  
(used in the case study)

<b>22</b>	<b>CURRENT RECEIVABLES FROM</b>
	<b>INSURANCE AND REINSURANCE CONTRACTS</b>
<b>221</b>	<b>Current receivables from policyholders</b>
2211	Policyholders' receivables on written premiums
<b>222</b>	<b>Current receivables from insurance intermediaries</b>
2221	Intermediaries' receivables on written premiums
<b>524</b>	<b>Liabilities to intermediaries</b>
5241	Liabilities in respect of commissions and fees
<b>525</b>	<b>Unearned premium reserve</b>
<b>61</b>	<b>OPERATING INCOME</b>
<b>611</b>	<b>Insurance premium income</b>
6111	Gross written premiums
6117	Change in the reserve for unearned premiums
<b>71</b>	<b>OPERATING EXPENSES</b>
<b>712</b>	<b>Acquisition expenses related to insurance contracts</b>
7121	Expenses relating to commissions and intermediaries' fees in insurance
7122	Sales-related remuneration of employees
7123	Expenses related to social and medical insurance on remuneration sales employees

Source: Prepared by the author.

The accounting of written premiums in March 2023 on insurance contracts taken out by employees and insurance intermediaries, the payment of salary debts and settlements with insurance intermediaries were recorded in the insurance company's accounts as follows:

1. *Accounting for insurance written premiums on direct insurance contracts taken out by employees and intermediaries, for payment to the insurer:*

Debit 221 „Current receivables from policyholders”, subaccount 2211 “Receivables from policyholders on written premiums”- 4 726 650 lei;

Credit 611 “Insurance premium income “, subaccount 6111”Gross written premiums“  
- 4 726 650 lei (2 123 500 + 2 603 150).

2. *Accounting for insurance written premiums on direct insurance contracts concluded through and paid to insurance intermediaries:*

Debit 222 “Current receivables from insurance intermediaries”, subaccount 2221 “Receivables from intermediaries on written premiums” - 1 155 030 lei;

Credit 611 “Insurance premium income”, subaccount 6111 “Gross written premiums”  
- 1 155 030 lei (3 758 180 to 2 603 150).



3. *The unearned premiums reserve is recorded under the amount of insurance written on direct insurance contracts concluded by the insurer:*  
 Debit 611 "Insurance premium income", subaccount 6117 "Change in the reserve for unearned premiums" - 5 881 680 lei;  
 Credit 525 "Unearned premium reserve" - 5 881 680 lei (2 123 500+3 758 180).
4. *Collection of the insurance premium by the insurer from the policyholders:*
  - a) *at the insurer's cash desk:*  
 Debit 241 "Cash desk", subaccount 2411 "Cash desk in national currency" - 1 852 600 lei;  
 Credit 221 "Current receivables from policyholders", subaccount 2211 "Policyholders' receivables on written premiums" - 1 852 600 lei;
  - b) *to the current account in national currency of the insurer:*  
 Debit 242 "Current accounts in national currency", subaccount 2421 "Cash at unlinked accounts" - 2 866 670 lei;  
 Credit 221 "Current receivables from policyholders", subaccount 2211 "Policyholders' receivables on written premiums" - 2 866 670 lei (263 520 + 2 603 150).
5. *Collection of the insurance premium by the insurer from intermediaries to the current account in national currency:*  
 Debit 242 "Current accounts in national currency", subaccount 2421 "Cash at unlinked accounts" - 1 155 030 lei;  
 Credit 222 "Intermediaries' receivables on written premiums on underwritten premiums"- 1 155 030 lei.
6. *Recording the insurer's expenses in the amount of commissions calculated for insurance intermediaries*  
 Debit 712 "Acquisition expenses relating to insurance contracts", subaccount 7121 "Expenses relating to commissions and fees to insurance intermediaries" - 450 981,60 lei;  
 Credit 524 "Liabilities to intermediaries", subaccount 5241 "Commissions and fees Payable" - 450 981,60 lei (3 758 180\*12%).
7. *Recording of the insurer's expenses related to the remuneration calculated for the employees of the sales department:*  
 Debit 712 "Acquisition expenses related to insurance contracts", subaccount 7122 "Sales-related remuneration of employees" - 106 175 lei;  
 Credit 531 "Liabilities to staff in respect of remuneration", subaccount 5311 "Liabilities wages and salaries" - 106 175 lei (2 123 500\*5%).
8. *Payment of commissions to insurance intermediaries on insurance premiums collected from policyholders (directly by the insurer and through insurance intermediaries):*  
 Debit 524 "Liabilities to intermediaries", subaccount 5241 "Liabilities in respect of commissions and fees" - 450 981,60 lei;  
 Credit 242 "Current accounts in national currency", subaccount 2421 "Cash at unlinked accounts" - 450 981,60 lei [(2 603 150+1 155 030)\*12 %].
9. *Recording of the insurer's social insurance expenses in the amount of the remuneration calculated for the employees of the sales department:*  
 Debit 712 "Acquisition expenses related to insurance contracts", subaccount 7123 "Expenses relating to social and medical insurance on remuneration sales employees" - 25 482 lei;  
 Credit 533 "Social and medical insurance liabilities", subaccount 5331 "Liabilities to State social security budget" - 25 482 lei (106 175\*24 %).
10. *Accounting of compulsory deductions from remuneration paid to employees of the insurer in March 2023 in the amount of 105 806 lei [(1 852 600+263 520)\*5%]. The employees' personal allowances amount to 6 750 lei (2250\*3).*  
 Debit 531 "Liabilities to staff in respect of remuneration for employment", subaccount 5311 "Liabilities wages and salaries"- 19 731,96 lei (8 915,04+10 816,92);

Credit 533 “Social and medical insurance liabilities”, subaccount 5332 “Liabilities to compulsory health insurance funds” - 8 915,04 lei.  
 $[(105\ 806-6\ 750)*9\%]$ ;

Credit 534 “Liabilities to the budget”, subaccount 5342 “Liabilities relating to income tax on salary” - 10 816,92 lei  $[(105\ 806-6\ 750-8\ 915,04)*12\%]$ .

The employees' remuneration from the amount of the receivable not paid by the policyholders in the current month on the concluded contracts will be directed to payment at the time of payment, according to the terms of the individual employment contract.

11. *Payment of liabilities to staff in respect of work remuneration by the insurer from the cash desk for March 2023:*

Debit 531 “Liabilities to staff in respect of remuneration for work”, subaccount 5311 “Liabilities Wages and salaries” - 86 074,04 lei;

Credit 241 “Cash desk”, subaccount 2411 “Cash desk in national currency” - 86 074,04 lei  
 $(105\ 806-19\ 731,96)$ .

The accounting data of this business process serve as a reliable and important basis for management analyses of sales, policyholders, in-force and expired contracts, the products offered by the insurer or the loss ratio, etc. The insurer can also analyse separately the share of contracts renewed for a further period and the claims for premium refunds on terminated contracts. At the same time, the insurer is able to analyse separately the proportion of contracts renewed and claims for premium refunds on terminated contracts, and to carry out studies of information on persons involved in reported but unclassified claims.

The organisation of management accounting in the business process “claims handling” in the insurance company is a specific area of this activity, unlike the negotiation and conclusion of insurance contracts, which is close to sales accounting in other business activities.

Compensation expenses are one of the main items of expenses in the insurance company's operating business. Expenses incurred by an insurer in connection with compensation claims are, in most cases, the value of claims, expenses for adjusting the value of claims and expenses for building up claims reserves. Given the difficulty and subjectivity of estimating these costs and liabilities, and their importance in the information presented to users, the proper determination of the value of claims and adjustment expenses is one of the critical points in the insurance company's management system.

Following the occurrence of a claim under an insurance contract, the insurance company initiates the settlement process. The settlement of claims is determined by specific aspects such as: type of insurance (personal, property, liability, etc.), type of insurance contract underwritten (from direct insurance or received in reinsurance), recoveries from the claim, reporting and settlement period, and other distinguishing characteristics of insurance cases, which are presented by the author in Chapter 1 of the thesis in the course of the development of the insurance business process model: “Claims handling” (Figure 1.8).

For the organisation of accounting in the business process of the insurance company's activity “claims handling”, the author has developed and proposed in the working chart of accounts for application by insurance companies in the country groups of accounts of level 1 and 2, some accounts used in the case study are shown in Table 2.3 below.

Table 2.3

1st and 2nd level account groups developed for the organisation of the insurance company's accounting in the business process of “claims handling.”

<b>54</b>	<b>LIABILITIES FOR COMPENSATION CLAIMS</b>
<b>541</b>	<b>Liabilities payable for compensation claims</b>
5411	Liabilities to policyholders in respect of compensation claims
<b>542</b>	<b>Reserve for claims reported but not settled</b>
<b>71</b>	<b>OPERATING EXPENSES</b>
<b>711</b>	<b>Compensation claims expenses</b>
7111	Claims paid on direct insurance and coinsurance
7114	Change of reserve for claims not settled

Source: Prepared by the author.

Next, the author of the thesis presents, on the basis of a case study, the organisation of the accounting of the economic operations of the insurer related to the business process “claims handling”.

For example: the insurance company has registered the claim of the policyholder regarding the occurrence of the insured event. After the investigation, the insurer decided to pay the policyholder the insurance compensation in the amount announced when the claim was filed, which amounted to 12 670 lei from the cash desk. The unconditional deductible on assumption of the risk, in accordance with the terms of the contract, was agreed by the parties to be 5% of the insurance compensation.

*The accounting of expenses relating to insurance payments, formation of the reserve for claims not settled, changes in the reserve for claims reported but not settled, and payment of insurance compensation in the insurance company's accounts was recorded as follows:*

1. *Formation of the reserve for claims not settled by the insurer to the amount of the claim submitted by the policyholder:*  
Debit 711 “Compensation claims expenses”, subaccount 7114 “Change of reserve for claims not settled”;  
Credit 542 “Reserve for claims reported but not settled” - 12 036,50 lei  
[12 670 - (12 670\*5%)].
2. *Recording of expenses to the amount of insurance compensation for payment after the insurer has finalised the claims file (issuing of the payment order):*  
Debit 711 “Compensation claims expenses”, subaccount 7111 “Claims paid on direct insurance and coinsurance”;  
Credit 541 “Liabilities payable for compensation claims”, subaccount  
5411 “Liabilities to policyholders in respect of compensation claims” - 12 036, 50 lei.
3. *Reduction of the reserve for claims reported but not settled to the amount of the insurance compensation payable:*  
Debit 542 “Reserve for claims reported but not settled”  
Credit 711 “Compensation claims expenses”, subaccount 7114 “Change of reserve for claims not settled” - 12 036,50 lei.
4. *Payment of insurance compensation from the insurer's cash desk:*  
Debit 541 “Liabilities payable for compensation claims”, subaccount 5411 “Liabilities to policyholders in respect of compensation claims”.  
Credit 251 “Cash in cash desk”, subaccount 2511 “Cash desk in national currency” -  
12 036,50 lei.

The principles of claims handling are set out in the Particular Conditions (for compulsory insurance) and may be specified in the insurance contracts.

The rational and operational nature of claims handling determines the financial position of both the policyholder and the insurance company. Since an unreasonable level of compensation has a negative impact on both parties, and the claims handling process is, to a certain extent, a coordination of the need to fulfil contractual obligations and maintain the solvency of the insurer, the organisation of a proper claims handling process becomes very important. The main role in this process is played by professional managers who reconcile the objective of the insurance company - to maximise the correspondence between the amount of compensation and the liability for the risk taken - and the objective of the policyholder - to receive compensation as quickly as possible and in an amount that covers his loss as much as possible.

Within the business process “*investing own and drawn reserves and technical reserves*”, the functions of management accounting differ in that this process is not part of the insurer's (core) operating business and that management accounting has to control the insurer's cash flows. Nevertheless, many insurance companies derive most of their investment income from this particular activity. The organisation of accounting in this business process of insurance companies is similar to the organisation of accounting in any other economic entity according to the accounts set out in the general chart of accounts without any specifics for insurance companies. In the case of investment activities, management accounting not only assesses the effectiveness of investments and the costs of their implementation, but also serves as a tool for determining the sources available for investment within the regulatory framework. In this process, management accounting covers the process of obtaining operational information about the insurance company's cash flow and the short-term cash requirements for the core functions of the insurance business.

Management accounting plays a key role in supporting decision making in insurance companies. It provides managers at all levels with relevant, timely and accurate information to make operational and strategic decisions about the development of the insurance company, including financial analysis, risk assessment, performance measurement and strategic planning. By analysing financial data, assessing risk, measuring performance against benchmarks and supporting strategic planning, management accounting contributes to effective decision-making and enhances the competitiveness of the insurance company.

In **Chapter 3. Restructuring of management accounting and reporting according to the modernisation of the decision-making system of the insurance company in the Republic of Moldova**, the author evaluates the architecture of the internal decision-making system of the insurance company and, in this context, conceptualises new configurations of redesigning management accounting and reporting in order to make the decision-making system of the insurance company more efficient.

Insurance companies are part of the country's financial system, they are entities of public interest and their activities are supervised by the state. As of 1 July 2023, the supervisory authority is the National Bank of Moldova, in accordance with the new Law No. 92 of 7 April 2022 on insurance and reinsurance activities (hereinafter Law No. 92/2022), which entered into force on 1 January 2023.

It is important to stress the importance of the responsibility that insurance companies bear as public interest entities. With the entry into force of Law 92/2022, which provides for a modern regulatory approach by implementing the European prudential framework Solvency II, there is a significant focus on the system of corporate governance and responsibility within insurance companies. This regulatory framework is much more complex and requires strategic thinking and sustainable decisions in the management of the insurance company, based on relevant and timely information.

Taking on this broad responsibility requires the implementation of modern policies and tools to support the objectives of financial integrity and consumer protection. In this context, it is necessary for insurance companies to effectively combine Enterprise Resource Planning (ERP) systems with accounting systems to create a robust analytics system. Integration with data analytics platforms such as Power BI (Business Intelligence), Looker Studio, Tabular, etc., can facilitate the presentation and disclosure of data in a more efficient manner, contributing to the sustainability of well-informed and reliable decisions. This not only improves internal efficiency, but also supports transparency in reporting to regulators and other stakeholders.

In this sense, the implementation of a management accounting system becomes not only a necessity, but also a tool to support the accountability of the insurance company as a public interest entity. The implementation of such a system will not only help to ensure compliance with the regulatory framework, but will also help to achieve key performance indicators (KPIs) to monitor and improve the profitability of products and business lines. This helps to focus resources on the most profitable areas, thereby improving the efficiency and sustainability of insurance companies in a regular and evolving framework.

This underlines the importance of a systematic approach to setting up a management accounting system that ensures accurate and legally compliant reporting, while meeting the responsibilities of insurance companies as public interest entities.

The establishment of a management accounting system in an insurance company therefore involves a number of key steps. Each is necessary to ensure accurate, understandable and compliant reporting.

In our view, the basic steps specific to a modern insurance company setting up a management accounting system, as used in developed economies, may include:

1. *Understanding the business model*, which as a first step involves a thorough understanding of the insurance business model; studying insurance products, distribution channels, customer segments and other operational processes.
2. *Define scope and objectives*. The next step is to define the specific objectives of the management accounting system to be organised within the insurance company. These could include tracking business performance, supporting decision-making, supporting strategic planning and ensuring regulatory compliance. The scope defines the activities and transactions that the system will track.
3. *Identify Key Performance Indicators (KPIs)*: Identify the indicators that best reflect the insurance company's business performance and align with its strategic objectives. These could include metrics such as loss ratios, expense ratios, combined ratios, renewal rates, customer acquisition costs and cancellation rates.

4. *Design of the chart of accounts.* During this phase, the chart of accounts is designed and adapted to the specific activities of the insurance company. It involves the classification and grouping of the insurance company's financial data to facilitate effective management reporting. The chart of accounts takes into account the organisational structure and the operational needs of managers at all levels of management.
5. *Accounting system selection,* which ensures the selection of a system that, can cope with the complexity and regulatory requirements of the insurance industry. At this stage, the ability to support multi-currency transactions, regulatory reporting, premium and claims management and integration with other business systems will be selected.
6. *System configuration.* Adjusting the settings of the chosen accounting system to suit the insurance company's business model and operational needs. This stage includes setting up the chart of accounts, cost centres, profit centres and financial reporting templates.
7. *Integration with other systems,* involves integrating the management accounting system with the insurance company's other business systems. This stage may include work related to policy administration, CRM and the underwriting platform. This integration ensures data consistency and automates data entry.
8. *Implementation of control and validation mechanisms,* establishing mechanisms for validation and accuracy of system data to ensure consistency. This could include automated checks, manual reviews and reconciliation processes.
9. *User training.* As part of this step, the insurance undertaking shall provide comprehensive training to all users of the system. This should cover both the technical aspects of the system and the underlying accounting principles.
10. *Review and refine the system.* Once the system is in place, it is important to monitor its performance on an ongoing basis and to refine it as necessary for the insurance enterprise. This may involve adjusting the chart of accounts, adding new key performance indicators or improving the reporting templates.

Having established the basic steps for implementing a management accounting system in an insurance company, it is essential to focus on the fundamental principles of an effective management accounting system. This involves addressing key components such as additional classifiers, analytical characteristics, a complex income and expense allocation system and management accounts.

It is the author's view that the systematic development of this process can provide the insurance company with a robust and tailored management accounting system that will support the decision-making and strategic planning of an insurance company's complex business.

The management accounting system is the essential and vital information system needed by the company's management to provide real-time data and information for the decision-making process and to ensure the effective management of the insurance company's business; without it, the company's management may make inefficient decisions leading to losses and unnecessary activities.

Effective management of an insurance company includes monitoring the performance of the business. The system is used to measure key performance indicators (KPIs) such as the number of policies issued, premiums collected, claims paid and expenses incurred. These indicators are used to monitor the operational efficiency and financial stability of the insurance company. For example, an increase in claims may indicate underwriting problems, while a decrease in policy renewals may indicate customer dissatisfaction. In this respect, the management accounting system plays a crucial role in supporting the decision-making process by providing accurate and timely data. For example, suppose the management team is planning to launch a new insurance product. In this case, the system can provide data on the performance of similar products, customer demand and potential profitability. This helps the team make informed decisions rather than relying on intuition.

IFRS 17, which replaces IFRS 4, has introduced many changes to the way insurance companies recognise measure and report their income and expenses. These changes have a significant impact on the management and governance system, including how KPIs are defined and monitored. The following are the main changes that IFRS 17 brings to the KPI system of insurance companies:

- *Revenue recognition:* Under IFRS 4, insurance companies had some flexibility in recognising premium income. IFRS 17 introduces a more prescriptive model, known as the Contractual Service Margin (CSM), which requires revenue to be recognised as insurance services are provided. This may affect KPIs such as premium income and revenue growth rate, which will need to be recalibrated to reflect the new recognition rules.
- *Measurement of insurance reserves:* IFRS 17 introduces a more rigorous and consistent measurement model for insurance reserves. Companies must estimate future cash flows, adjust for risk and apply a discount rate to reflect the time value of money. This may influence profitability and solvency metrics.
- *Financial reporting:* IFRS 17 requires insurance income and expenses to be presented more transparently. This includes a breakdown of results into a number of components such as underwriting results, changes in risk and changes in discount rates. This may require the creation of new KPIs to measure and analyse each component separately.
- *Performance and risk information:* IFRS 17 requires insurers to provide more information about the performance and risks of their insurance contracts. This may require the development of new KPIs related to risk exposure, contract profitability and operational efficiency.

In terms of the impact on management and corporate governance, these changes may include:

- *Reassessing business strategy:* Due to the new reporting and measurement requirements, management should reassess the business strategy and ensure that it is in line with IFRS 17.
- *Adapting systems and processes:* IFRS 17 may require significant updates to financial reporting systems and processes. This may include improving data collection capabilities, updating accounting systems and redesigning workflows.
- *Risk assessment:* The changes introduced by IFRS 17 could have an impact on the entity's risk profile. Management should assess the impact of the new standards on risk exposures and ensure that appropriate controls are in place to manage them.
- *Communication and transparency:* As IFRS 17 requests greater transparency in financial reporting, management should focus on improving communication with stakeholders, including investors, to explain the impact of the new standards on financial performance.
- *Training and awareness:* It is essential that employees and management teams are trained and informed about IFRS 17 requirements and how they affect day-to-day operations and financial reporting.
- *Review KPIs and reward systems:* In light of new methods of measuring and recognising income and expenses, management should review and adjust, if necessary, KPIs and performance-based reward systems.
- *Board of Directors oversight:* The board of Directors and supervisory committees need to be involved in the transition to IFRS 17, understand the impact on the business and play an active role in overseeing implementation and compliance with the new standard.

It is clear that the implementation of IFRS 17 will have a significant impact on the way insurance companies report and measure their financial performance. It will require a careful review of existing KPIs, a reassessment of business strategies and an adaptation of reporting systems and processes. It also highlights the importance of modern corporate governance in managing change and ensuring compliance with new standards.

In the insurance context, KPIs can be used to track the efficiency of several operations, namely:

- *Claims ratio:* This is the ratio of total claims paid to total premiums collected. This indicator helps to understand how efficiently an insurance company is underwriting its policies. A high loss ratio may indicate that the company pays claims frequently, suggesting that it may be under-pricing its policies or accepting high-risk customers.

- *Expense ratio:* This indicator shows the operational efficiency of the company. It is calculated as the ratio of operating (underwriting) expenses to earned premiums. A lower ratio indicates better efficiency and vice versa.

- Combined ratio (COR): this is essentially the sum of the claims ratio and the expense ratio. A combined ratio below 100% indicates that the insurance company is making an underwriting profit, while a ratio above 100% indicates that it is making an underwriting loss.

Policy cancellation rate: this measures the number of policies that are not renewed as a ratio of the total number of policies in force. High cancellation rates can be a warning sign, showing customer dissatisfaction or problems with pricing or service.

- Customer acquisition cost (CAC): this is the total cost of acquiring a new customer, including marketing and other related expenses. Keeping this cost low can significantly improve profitability.

- Lifetime value (LTV) of a customer: this is the total net profit a company expects to earn from a customer over the life of the relationship.

By carefully selecting and tracking these key performance indicators, an insurance company can keep its finger on the pulse of its business. In addition, by doing so, it can make informed decisions to steer the business towards its strategic goals.

Based on the following *conventional example*, the author has presented the calculation of detailed financial and economic results by insurance product in Annex 5 of the thesis. The information on income and expenses of the insurance company “xxxxx” by insurance products in the period 01.01.2022 - 31.12.2022 is presented in Table 3.1.

Table 3.1

Information on income and expenditure incurred by the insurance company “xxxxx” on insurance products

No. of/ord.	Articles of income and expenses	Insurance class/Insurance products			
		Class 01 Accidents	Class 02 Health	Class 10 MTPL	Total Company
1.	Amount of gross written premiums and on updating contracts	87	108	53.935	143.872
2.	Amount of premiums on terminated and cancelled contracts	0	1	579	1.637
3.	Net premiums ceded for reinsurance of cancellations and commissions	0	0	19.634	39.231
4.	Total claims settled (paid) during the reporting period	3	0	23.431	50.340
5.	Expenses for settling claims	0	0	447	842
6.	Claims recovered by reinsurance	0	0	16.060	27.075
7.	Recoveries arising from claims or subrogations, lei	0	0	1.119	4.494
8.	Total claims expenses incurred during the period	12	8	24.175	48.773
9.	Calculated acquisition expenses	36	43	14.877	63.481

Source: Prepared by the author

As a result of studying and identifying the key performance indicators (KPIs) specific to the insurance business as an essential part of the management accounting system within the business management of an insurance company, the author has calculated and demonstrated the essence of calculating not only the net profit but also the economic result per insurance product ( Annex 5). It serves as a basis for management decisions on the development of certain products, taking into account both the economic result and the social need for the development of certain products.

As mentioned above, the Lifetime Value (LTV) of a customer represents the total net profit that an insurance company has earned or expects to earn from a particular customer over the life of the contractual relationship for the risks assumed by the insurer.

The LTV calculation is based on several factors, including the revenue generated by a customer (premiums paid), the costs associated with servicing that customer, the length of the customer's relationship with the company (which may be influenced by the policy cancellation rate), and the cost of acquiring the customer in the first place (CAC).

Simplified formula:

$LTV = (Average\ gross\ profit\ per\ policy\ per\ year * Average\ customer\ life\ in\ years) - Customer\ Acquisition\ Cost.$

Let's break this figure down:

- Average gross profit per policy per year: This is the amount of profit earned per customer per year after all compensation and expenses have been paid.
- Average customer lifetime in years: This is the average length of time a customer stays with the company. It is important to note that insurance is a business where customer retention is particularly important, as the cost of acquiring a new customer is usually high.
- Customer Acquisition Cost (CAC): This is taken into account because the profit earned from a customer must exceed the cost of acquiring the customer for a customer to be considered profitable.

The higher the LTV compared to the CAC, the more profitable the customer. Understanding LTV helps insurers decide how much to spend on customer acquisition and retention. If the LTV is significantly higher than the CAC, then the company can afford to spend more on customer acquisition and retention. If it is lower, they may need to focus on improving operational efficiency, increasing premiums or finding other ways to increase customer value.

Understanding LTV can help the company segment its customer base. For example, customers with a higher LTV could benefit from priority services or special offers because they are more valuable to the business.

More detailed formula:

$$LTV = (P * M * T) - (C + E + S);$$

where:

- P: Average premium payment per period (e.g. monthly, annually). This represents the recurring income from the client.

- M: Profit margin on the premium. This is the gross profit margin that the insurance company earns on each premium payment, after taking into account compensation payments and direct servicing costs associated with the policy. It is calculated by dividing the difference between earned premium and expected compensation and direct costs.

- T: The average life of the customer over the same period of time as used for the premium. This represents the length of time the company retains a typical customer.

- C: Customer acquisition cost. This is the initial investment required to acquire a new customer.

- E: Expected amount of expenses per period (e.g. policy administration, customer service). This is the ongoing cost of servicing the customer.

- S: The recoverable value at the end of the customer relationship (if any). This could include, for example, the cash value of a life insurance policy at the end of its term.

Multiplying P, M and T gives the total gross profit expected from a customer over the duration of their relationship with the insurance company. Subtracting the costs (C, E and S) gives the net profit, which is the LTV.

This formula gives a clearer picture of how premium payments and other costs affect LTV. By manipulating different variables, insurers can gain insight into strategies to increase LTV, such as improving the profit margin on premiums, increasing customer lifetime, reducing acquisition costs or managing expenses efficiently.

In the context of insurance, a customer's loss ratio refers to the frequency and size of claims the customer makes on their policy. In the formula for **LTV**, the loss ratio would most directly affect the variable **M**, which is the premium margin.

Premium margin: This variable represents the gross profit margin earned by the insurance company on each premium payment, after taking into account compensation payments and direct service costs associated with the policy. It is calculated by dividing the difference between the premium and the expected compensation and direct service costs by the premium.

A high loss ratio means that a customer is making frequent and/or large claims. This increases the expected cost of compensation for that customer, which reduces the margin the company earns on each premium. Essentially, if a customer consistently makes claims that exceed the amount of premiums paid, the insurance company will lose money on that customer, which reduces the customer's LTV.



Alternatively, a low claims rate means that the customer rarely makes compensation claims or that the claims they do make are low value. This leads to lower expected claims costs, which increases the margin per premium and increases the client's LTV.

It is important to note that a high claims rate does not automatically mean that a customer is unprofitable, especially if they pay high premiums. However, it does increase the risk to the insurance company and could lead to higher premiums or even cancellation of the policy if the company decides that the risk of insuring the customer is too high.

*Based on the above, we suggest some strategies to manage the claims rate, namely:*

- Thorough risk assessment before issuing a policy;
- Adjusting premiums to reflect the level of risk;
- Offering discounts or benefits to customers.

It should also be noted that a customer's combined ratio and lifetime value (LTV) are interrelated, as both are strongly influenced by the costs associated with a customer's claims.

*Combined rate:* This is calculated by adding together the claims rate (the ratio of claims paid to premiums collected) and the expense rate (the ratio of operating costs to premiums collected). A combined ratio of less than 100% indicates that the insurance company is making a profit on its underwriting activities, while a ratio of more than 100% indicates that it is making a loss.

Based on the above, we conclude that, a higher Combined Ratio (COR) can therefore lead to a lower LTV. This is because more frequent or more severe (costly) claims increase the combined rate, which reduces the margin on premiums and therefore lowers the LTV.

In practice, an insurance company uses this information to adjust its underwriting and pricing policies. If the combined claims rate is too high (and therefore the LTV too low) for a customer segment, the insurance company might increase premiums for that segment to increase the margin and LTV. Alternatively, the company could take steps to reduce the frequency or cost of compensation claims, such as offering incentivising for risk-reducing behaviour or increasing insurance deductibles.

If we look at the effect of supporting the strategic planning process, we see that management accounting plays another important role. Here the system can help to identify long-term trends, opportunities and threats. It can also model different scenarios to support the planning process. For example, the system could forecast how a change in insurance regulations or an increase in natural disasters might affect the insurance company's performance.

Finally, the management accounting system helps to ensure that the insurance business complies with applicable regulations. This is extremely important in the insurance industry. Regulatory authorities monitor insurers' operations and require them to maintain sufficient reserves to cover potential claims and to provide regular financial and expert reports. The management accounting system tracks this information and highlights any potential compliance issues.

In essence, the management accounting system serves as a navigation tool for the insurance company, guiding it through the business processes specific to the insurance industry. It provides management at all levels with the information they need to steer the insurance company towards success, while ensuring that it remains within legal and regulatory boundaries.

As an interim solution, IFRS 4 allowed insurance companies to continue to use local GAAP to measure insurance contracts, with only limited changes to comply with the requirements of IFRS 4. This has resulted in a wide variety of accounting practices being used by insurance companies in different jurisdictions, making it difficult for investors and other stakeholders to compare the financial performance of insurance companies operating in different countries.

IASB Chairman Hans Hoogervorst said: "The insurance sector plays a key role in the global economy and it is therefore of paramount importance to provide market participants with high quality information on the financial performance of insurers. IFRS 17 replaces the current patchwork of approaches with a consistent approach that will provide investors and other stakeholders with comparable and timely information" [185].

The main objectives and benefits of implementing IFRS 17 are to provide a consistent, transparent and relevant framework for accounting for insurance contracts and to improve comparability across the insurance industry. The implementation of IFRS 17 provides significant benefits to users of financial information by aligning the information presented to stakeholders with the fundamental qualitative requirements and characteristics (relevance and credibility) and the secondary characteristics of comparability and understandability.

In order to reshape management reporting within the insurance company, the author believes that insurance companies should develop a separate management accounting policy or a separate chapter within the accounting policy devoted to their internal reporting. It is at this point that the choice of internal reporting methodology within the insurance company can begin. The current regulatory framework of accounting, as well as the literature at the local level, as already mentioned in the paper, does not provide explicit concepts and models of internal reporting, although the current accounting and financial reporting law provides the concept of management accounting and characterises the purpose of its organisation.

In this context, management accounting, through the internal reporting system, should provide useful information that will influence management decisions of strategic planning processes, forecasting in insurance companies, their sustainable development and improve the quality of management of all their business processes, increasing the competitiveness of the insurer's business. Therefore, the management accounting information system can be divided into several levels of users, namely: corporate, which represents the shareholders; top management of the economic entity and the level of middle link managers who manage its functional departments and subdivisions. This means that management accounting information must contain a minimum number of indicators, but satisfy a maximum number of users at different levels of the insurance company's management hierarchy. To accomplish the proposed tasks, the author recommends, in the continuation of the given study, to analyse how to provide managers with useful information at the level of business processes organised within the insurance company, in order to make their decisions more efficient. Thus, the methods of internal reports and information presented to the decision-making process should depend on the management functions associated with managers in the respective business process of the insurance company. Thus, this approach allows us to determine the place of management accounting and its information system in the management system of the insurance company, not only in economic terms, but also in functional terms.

For example, in the consolidated process of “*negotiation and conclusion of insurance contracts*”, managers use information on insurance contracts that have been concluded by insurance type, insurance product, subdivision, and other sales channels to make their decisions. Simultaneously, management decision-making requires various analyses of the efficiency of the sales network and other channels, such as brokers and insurance agents, as well as methods of attracting customers. The author proposes several internal reports for this purpose, which are already implemented and used in insurance companies in the country, as confirmed by the attached implementation papers to the thesis. Annexes 6, 7, and 8 to the thesis present the register of contacts concluded by type of insurance:

- the register of contracts for the type of CASCO insurance intermediated by insurance consultants, individuals (Annex 6);
- the register of contracts for property insurance contracts, intermediated by brokers (Annex 7);
- the sales register of contracts for compulsory motor third party liability insurance with full payment of premiums (Annex 8).

Based on reports from the insurer's sales departments and intermediaries, the sales department managers create generalised reports by insurance type.

However, the insurer must maintain records of insurance contracts to establish insurance reserves in compliance with applicable laws. Annex 10 presents a model register for general insurance contracts, specifically for class 10 “Motor third party liability insurance”. This register includes optional insurance for the carrier and the consignor (CMR insurance).

These reports enable the responsible managers involved in the business process “*negotiation and conclusion of insurance contracts*” not only to control the fulfilment of the revenue budgets per type of insurance, sales channels, but also to ensure with truthful information the decision-making processes, which have the obligation to make decisions related to the development of insurance products developed by the insurance company and the promotion of new products on the insurance market, the analysis of the customer base per insurance product and the assessment of the needs in new insurance products less developed at the level of the insurance market in general.

As a result of the study of the basic tasks of the “*claims handling*” process, the author has developed models for the calculation of claims and insurance indemnities, reports within the framework of the processing of claims files and within the framework of making decisions on the payment of claims to the insured or insurance beneficiary.

Some of the reports implemented in insurance companies in the country are the following:

- Estimation (calculation) of the cost of repairing the insured property with a view to determining the amount of insurance compensation/indemnity (MTPL, CASCO, PROPERTY), Annex 11.
- Estimate (calculation) of the valuation of the damage caused to the policyholder (in the case of health insurance), Annex 12.
- List of claims files for consideration by the Insurance Claims Settlement Committee for the period \_\_\_\_ ( Annex 13).
- Order on payment of insurance compensation to the injured party ( Annex 14).
- Information on insurance compensation payments and cash flows available at \_\_\_\_ ( Annex 15).

Ensuring the solvency of the insurer and compliance with the legal framework regarding the compliance of assets with the limits of assets allowed to cover technical provisions and the minimum capital requirement are management decisions of the insurance company's management regarding the investment of own and drawn resources, for which reliable and appropriate sources of information are required. The internal reports prepared and implemented by the author within the insurer's business process “*Investment of own and drawn reserves and technical reserves*” are a useful support of great value for the simulation of the insurer's financial situation, the management of its compliance processes with the legal and regulatory framework on an ongoing basis. Some of these reports are:

- Investments in securities (Annex 16)
- Investments in deposits with licensed financial institutions (Annex 17)
- Available current accounts with financial institutions (Annex 18)
- Investments in real estate portfolio (Annex 19)
- Investments in equity securities (Annex 20)
- Policyholders' claims eligible for covering technical provisions and minimum capital requirement (Annex 21)

Thus, the insurance company's management accounting information system and internal reporting is a reliable basis for providing the insurance company's decision-making process with useful and timely information, including at the level of individual business processes, on the basis of which it is possible to ensure the continuity of the activities of the country's insurance companies and significantly improve the efficiency of the management processes of the companies in the given sector.

The modernisation of business processes in the insurance sector in the country and the transposition of EU directives into the legislative and regulatory framework at the local level have an impact on the accounting system of the insurance company, including new requirements for the organisation of an efficient information system to support management decisions.

## CONCLUSIONS AND RECOMMENDATIONS

The research conducted on management accounting and its information system, as part of the modernisation of the internal decision-making process, specifically in the organisation of accounting by business processes, for insurance companies in the Republic of Moldova, has led to the following **conclusions**:

1. Insufficient study of the theoretical aspects of management accounting and its information system is evident in both the literature of the country and the works of foreign authors. However, this should not hinder management decision-making at the entity level, as the available knowledge and expertise can still be utilized effectively. The author conducted extensive research on the development of management accounting, analysing the norms and sources of various national and international authors. The author then summarized the stages of its development in different countries and determined its role and functions in the management system of modern entities, including those in the insurance sector. Additionally, the author confidently assessed the usefulness of its information system in making management decisions at all structural levels of the researched sector.
2. The author confidently concludes that there are multiple definitions of the concept of management accounting proposed by various domestic and foreign researchers, as presented in the literature. The author identified five groups of authors whose opinions align and share a similar view on the researched problem. Through a thorough analysis of the concept of management accounting, the author presented compelling arguments to highlight *the disagreement surrounding its definition as a subsystem of enterprise accounting*. The author evaluated various *definitions of management accounting* during the study and confidently concluded that *an integrated accounting system* is the most suitable one. Its purpose is to collect, process, interpret, and present financial and non-financial information in management reporting. This definition aligns closely with the regulatory framework's recommended notion of management accounting.
3. The literature review highlights a clear gap in the insurance industry regarding the application of *management accounting* and the usefulness of its information system in supporting management decisions at all levels of national insurance company management. In this context, we confidently propose and argue for the necessary directions of research on the insurance business model. The model requires a reconfiguration of accounting by business processes to meet the current requirements of the regulatory framework at national and international levels.
4. The management accounting information system improves the quality of information provided to the insurance company's internal decision-making system. The author has devised a scheme for the management accounting information system to generate information for decision-makers at all levels of organizational management within the investigated sector.
5. Extensive research by both domestic and foreign scholars has demonstrated the crucial role of non-financial reports in modern companies. In this study, the author thoroughly reviewed the regulatory framework, theoretical perspectives, and empirical research on non-financial reporting to effectively leverage its benefits in the insurance company's decision-making process. The report tested current practices and recommended enhancing the internal reporting system for insurance entities at the local level. This will provide the qualitative information necessary for the insurer's decision-making process. The author of the thesis has conclusively demonstrated that reporting on economic, social, and environmental performance is crucial for insurance entities in the country. This non-financial reporting not only enhances visibility but also attracts new sources of capital, and maintains business continuity, meeting the vital needs of stakeholders.

**The important scientific problem solved** is to identify the priority directions of development and reconfiguration of management accounting in insurance companies in the Republic of Moldova in the context of implementation of modern business models in the insurance industry in the country and modernisation of the internal decision-making system according to international development trends and practices of developed economies. The solution of the problem proposed in the research demonstrated the advantages of the formulated recommendations related to the implementation of new accounting and management reporting configurations in the context of the modernisation of the

internal decision-making system of the insurance company, innovative approaches to ensuring the financial stability of the insurer, their contribution to the efficiency of the activity of local entities in the researched sector, their visibility on the market, the development of the client portfolio, the strengthening of the relationship with the community and the increase of capital.

We have formulated **recommendations** to address this significant scientific problem based on the research presented in this paper:

1. The author outlines the developmental stages of management accounting in world practice in Annex 1. Furthermore, a new definition is proposed as follows: *“Management accounting is a powerful and integrated system that records, processes, and provides financial and non-financial information for internal reporting and managerial decision-making. It enables the creation of a modern business system and the evaluation of the entity's performance and the efficiency of invested capital for stakeholders with confidence and authority”*. This definition outlines the essential tasks of management accounting required for the development of a modern competitive economy. A robust information system is necessary to serve both internal users and external stakeholders. Non-financial reports can enhance the entity's visibility and increase its capital.
2. To enhance to further improve the management accounting information system, analysing the place and importance of management accounting within the modern entity today, the author proposes a new definition of the management accounting *information system*, established within the entity, *which, in our opinion, represents a basis for decision-making by recording the phenomena and processes of the entity's daily activity and producing information, using the latest generation information technologies; providing them in real-time, ensuring the information needs of internal decision makers and other stakeholders*.
3. The implications of new business models in the context of making the insurance company's decision-making system more efficient, contributing to the efficient management of material, financial and human resources, to the development and implementation of management decisions and to the practice of efficient management. These results provide an opportunity to modernise the management accounting information system as a producer of information for decision-makers at all organisational levels of the company's management and for stakeholders. To this end, the author has developed and presented in Figure 1.6 of the thesis *the scheme of the management accounting information system in the process of substantiation and decision-making*. The scheme of business processes specific to insurance activity under the new legislative framework effective from 01.01.2023 is presented in Figures 1.7, 1.8 and 1.9 of the thesis.
4. The development of the accounting system in the insurance sector in RM in the context of the harmonisation of the legislation with the requirements of the EU directives. In this context, the author has defined the objectives of management accounting in the business processes specific to insurance: negotiation and conclusion of insurance contracts and in the claims handling process. Within the framework of the working account plan in Annex 4, he has developed the account groups for recording the economic transactions related to these processes. Within these account groups, it has developed and assigned accounts of grade 1 and 2 for the organisation of the accounting of accounting elements specific to the activity of the given business processes in insurance.
5. In order to streamline the accounting system in the insurance sector and to adopt IFRS, the author has developed accounting policies in accordance with the given requirements, which are implemented in the practice of insurance companies in the country and are presented in Annex 3 of the thesis.
6. In the interest of improving the accounting in the business processes of the insurance company in accordance with the requirements of the international accounting and financial reporting standards, the author of the thesis has developed the methodology of organising the accounting by insurance business processes, in particular:
  - accounting for written premiums on contracts concluded by employees and through insurance intermediaries;
  - settlements on direct insurance contracts concluded;
  - accounting for expenditure on insurance payments;

- formation of the reserve for claims not settled;
- modification of the reserve for claims declared but not settled, and
- payment of insurance claims.

The results of the implementation of accounting for operations specific to the insurance business process are applied in insurance companies in the country, which is confirmed by the implementation acts attached to the thesis. In section 2.2 of the thesis, the author presents the accounting of operations specific to the insurance business on the basis of conventional examples.

7. The author proposed a series of internal reports to entities in the studied sector, corresponding to each business process of the insurance activity. These reports have already been developed and implemented in the Insurance-Reinsurance Company “Moldcargo” J.S.C., demonstrating the value of management accounting information as a tool for decision-making and improving the efficiency of the decision-making system in insurance companies:

- as part of the business process “*negotiation and conclusion of insurance contracts*”, internal reports on contracts concluded during the reporting period by type of insurance and total turnover by subdivision or distribution channel;
- as part of the “*Claims Handling*” consolidated process, models for calculating claims and insurance indemnities, reports as part of the processing of claims files and decisions on their payment;
- in order to guarantee the solvency of the insurer, within the business process “*investment of own and drawn reserves and technical reserves*”, the author developed and implemented internal reports on the investment of assets to cover technical reserves and minimum capital requirements, ensuring the insurer's solvency. These reports enable continuous simulation of solvency and asset availability, allowing for calculation at any time.

The research results significantly contribute to the development of the theory and practice of organising accounting for insurance companies' specific business processes. The insurer's performance position can be verified when required, providing accurate information on the availability of eligible assets and the insurer's compliance with the regulatory framework. This ensures that the insurer is solvent and meets the required solvency level. The author's implementation of internal reports improves the quality of information provided by the insurer's management accounting system and effectively achieves the objectives set for the entities in the sector under investigation. The implementation of new accounting configurations and management reporting models is a crucial step towards modernising insurance company's internal decision-making system. These innovative approaches guarantee the financial stability of insurer and significantly contribute to the efficiency of company's activity, as well as the increase of capital at the local level. This will undoubtedly facilitate the development of the national insurance sector in the Republic of Moldova.

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## ADNOTARE

### la teza de doctor în științe economice

**Autor:** DOLGHI Vladimir; **Tema:** „Reconfigurarea contabilității manageriale în societățile de asigurări în contextul modernizării sistemului decizional intern”

**Specialitatea:** 522.02 CONTABILITATE; AUDIT; ANALIZĂ ECONOMICĂ

**Structura tezei:** adnotare, introducere, trei capitole, concluzii și recomandări, bibliografie (255 de titluri), 29 anexe, 141 de pagini text de bază, 7 de tabele și 9 figuri. Rezultatele obținute sunt publicate în 17 lucrări științifice.

**Cuvinte-cheie:** contabilitate managerială; societăți de asigurări; politici contabile; configurări contabile; raportare financiară; Standarde Internaționale de Raportare Financiară; sistem informațional, procese de afaceri; procese decizionale; sistem intern de gestiune a societății de asigurări; arhitectura procesului decizional; modelul de business în asigurări.

**Domeniul de studiu:** contabilitate.

**Scopul cercetării** constă în examinarea complexă a aspectelor teoretice și aplicative de organizare a contabilității în cadrul proceselor de business specifice activității societății de asigurări, în vederea identificării problemelor existente și fundamentării direcțiilor prioritare de reconfigurare a contabilității și raportării manageriale în contextul implementării modelelor moderne de afaceri în industria de asigurări din țară și modernizării sistemului decizional intern conform tendințelor internaționale de dezvoltare și practicilor țărilor cu economii dezvoltate.

**Obiectivele cercetării:** revizuirea definiției de contabilitate managerială în contextul dezvoltării modelelor moderne de business; analiza sistemului informațional al contabilității manageriale în calitate de producător de informații pentru factorii interni de decizii și părțile interesate; delimitarea proceselor de business în sectorul de asigurări și abordarea efectelor IFRS asupra politicilor de organizare a contabilității în cadrul acestora; investigarea cadrului de raportare și identificarea soluțiilor aferente asigurării cu informații a procesului decizional intern al societății de asigurări în contextul modernizării acestuia; relevarea aspectelor metodologice și a problemelor actuale de îmbunătățire a calității contabilității manageriale în societățile de asigurări; argumentarea tehnicilor de configurare a contabilității manageriale în funcție de modernizarea sistemului decizional intern în sectorul de asigurări; dezvăluirea particularităților de implementare a remodelării contabilității și raportării manageriale în contextul modernizării sistemului decizional al societății de asigurări.

**Problema științifică importantă soluționată** rezidă în identificarea direcțiilor prioritare de dezvoltare și reconfigurare a contabilității manageriale în societățile de asigurări din Republica Moldova în contextul implementării modelelor moderne de afaceri în industria asigurărilor din țară și modernizării sistemului decizional intern conform tendințelor internaționale de dezvoltare și practicilor țărilor cu economii dezvoltate. Soluționarea problemei propuse în cercetarea realizată a demonstrat avantajele recomandărilor formulate ce țin de implementarea unor noi configurări contabile și de raportare managerială în contextul modernizării sistemului decizional intern, unor abordări inovaționale cu privire la asigurarea stabilității financiare a asigurătorului, contribuția acestora la eficientizarea activității societății de asigurări, vizibilității acesteia pe piață, dezvoltarea portofoliului de clienți, consolidarea relației cu comunitatea și sporirea de capital.

**Semnificația teoretică și valoarea aplicativă** derivă din aplicabilitatea teoretică și practică a contabilității pe procesele de business specifice activității societății de asigurări la nivel local. Semnificația teoretică rezidă în capacitatea de a oferi o înțelegere a proceselor de business în sectorul de asigurări și de organizare a contabilității în cadrul acestora.

**Implementarea rezultatelor științifice proiectate** în teză au fost materializate prin aplicarea modelului de ținere a contabilității separat pe procese de business specifice activității societății de asigurări în urma organizării de către MSU a cursului „Principii generale contabile internaționale în practica societăților de asigurări conform IFRS” și implementării acestuia în toate entitățile din ramura de asigurări din țară. 4 acte de implementare sunt anexate la teză. A fost elaborat manualul „Contabilitatea societăților de asigurări. Politici contabile conform IFRS”, care se utilizează la predarea cursului „Contabilitatea societăților de asigurări” la specialitatea „Contabilitate” din cadrul MSU și în alte instituții de învățământ din țară. Rezultatele cercetării au fost publicate în 17 de lucrări în reviste științifice, conferințe naționale și internaționale. Totodată, rezultatele implementate pot fi utilizate și de către organismele naționale și internaționale de reglementare.

## ANNOTATION

to the PhD thesis in economic sciences

**Author:** Vladimir DOLGHI; **Topic:** “Reconfiguration of management accounting in insurance companies as part of the modernisation of the internal decision-making system”

**Specialty:** 522.02 ACCOUNTING; AUDIT; ECONOMIC ANALYSIS

**Structure of the thesis:** annotation, introduction, three chapters, conclusions and recommendations, bibliography (255 titles), 29 annexes, 141 pages of main text, 7 tables and 9 figures. The results will be published in 17 scientific papers.

**Keywords:** management accounting; insurance companies; accounting policies; accounting settings; financial reporting; International Financial Reporting Standards; information system, business processes; decision-making processes; internal management system of the insurance company; the architecture of the decision-making process; the insurance business model;

**Field of study:** Accounting.

**The aim of the research** is to research the complex theoretical and applied aspects of accounting organisation within the framework of business processes specific to the insurance company's activity, in order to identify existing problems and to substantiate the priority directions of reorganisation of accounting and management reporting in connection with the implementation of modern business models in the insurance industry in the country and modernisation of the internal decision-making system in accordance with international development trends and practices of countries with developed economies.

**Research objectives:** To review the definition of management accounting in the context of the development of modern business models; to analyse the management accounting information system as a producer of information for internal decision makers and stakeholders; to delineate business processes in the insurance sector and to address the impact of IFRS on accounting organisation policies within them; to study the reporting framework and to identify solutions related to providing information for the internal decision-making process of the insurance company in the context of its modernisation; To identify the methodological aspects and current problems of improving the quality of management accounting in insurance companies; to discuss the techniques of configuring management accounting according to the modernisation of the internal decision-making system in the insurance sector; to identify the peculiarities of implementing the remodelling of management accounting and reporting in the context of modernising the decision-making system of the insurance company.

**The important scientific problem solved** is to identify the priority directions of development and reconfiguration of management accounting in insurance companies in the Republic of Moldova in the context of implementation of modern business models in the insurance industry in the country and modernisation of the internal decision-making system according to international development trends and practices of developed economies. The solution of the problem proposed in the research has demonstrated the advantages of the formulated recommendations related to the implementation of new accounting and management reporting configurations in the context of the modernisation of the internal decision-making system, innovative approaches to ensuring the financial stability of the insurance company, their contribution to the efficiency of the insurance company's activity, its visibility on the market, the development of the customer portfolio, the strengthening of relations with the community and the increase of capital.

**The theoretical significance and application value** derive from the theoretical and practical applicability of accounting to the specific business processes of the insurance enterprise's operations at the local level. The theoretical significance lies in the ability to provide an understanding of the business processes in the insurance sector and the organisation of accounting within them.

**The implementation of the scientific results** projected in the thesis was realised through the application of the model of separate accounting by business processes specific to the activity of the insurance company after the organisation by the MSU of the course “*General international accounting principles in the practice of insurance companies according to IFRS*” and its implementation in all units of the insurance industry in the country. 4 implementation acts are attached to the thesis. The manual “*Accounting of insurance companies. Accounting principles in the practice of insurance companies according to IFRS*”, which is used in the teaching of the course “*Accounting of insurance companies*” specialty of Accounting of the MSU and other educational institutions in the country. The results of the research were published in 17 articles in scientific journals and at national and international conferences. At the same time, the implemented results can also be used by national and international regulatory bodies.

## АННОТАЦИЯ

к докторской диссертации по экономическим наукам

Автор: Владимир ДОЛГИЙ,

Тема: «Реконфигурация управленческого учета в страховых обществах в контексте модернизации внутренней системы принятия решений»

Специальность: 522.02 БУХГАЛТЕРСКИЙ УЧЕТ; АУДИТ; ЭКОНОМИЧЕСКИЙ АНАЛИЗ

**Структура диссертации:** аннотация, введение, три главы, выводы и рекомендации, библиография (255 наименований), 29 приложений, 141 страниц основного текста, 7 таблиц и 9 рисунков. Полученные результаты опубликованы в 17 научных статьях.

**Ключевые слова:** управленческий учет; страховые компании; учетная политика; конфигурации учета; финансовая отчетность; Международные стандарты финансовой отчетности; информационная система, бизнес-процессы; процессы принятия решений; внутренняя система управления страховой компании; архитектура процесса принятия решений; бизнес-модель в страховании.

**Область исследования:** бухгалтерский учет.

**Цель исследования** заключается в комплексном рассмотрении теоретических и прикладных аспектов организации бухгалтерского учета в рамках бизнес-процессов, характерных для деятельности страховых обществ, с целью выявления существующих проблем и обоснования приоритетных направлений реконфигурации управленческого учета и отчетности в условиях внедрения современных бизнес-моделей в страховой отрасли страны и модернизации внутренней системы принятия решений в соответствии с международными тенденциями развития и практикой стран с развитой экономикой.

**Задачи исследования:** пересмотр определения управленческого учета в контексте развития современных бизнес-моделей; анализ информационной системы управленческого учета как источника информации для внутренних факторов, принимающих решения, и заинтересованных сторон; разграничение бизнес-процессов в страховой сфере и изучении влияния МСФО на учетную политику в этих обществах; исследование структуры отчетности и определение решений, связанных с информационным обеспечением внутреннего процесса принятия решений страховых обществ в условиях ее модернизации; раскрытие методологических аспектов и актуальных проблем повышения качества управленческого учета в страховых обществах; обоснование методики конфигурации управленческого учета в соответствии с модернизацией внутренней системы принятия решений в страховой отрасли; выявление особенностей введения реконфигурированной бухгалтерской и управленческой отчетности в условиях модернизации системы принятия решений страхового общества.

**Решение важной научной проблемы** заключается в определении приоритетных направлений развития и реконфигурации управленческого учета в страховых обществах Республики Молдова в контексте внедрения современных бизнес-моделей в страховой отрасли страны и модернизации внутренней системы принятия решений в соответствии с тенденциями международного развития и практикой стран с развитой экономикой. Решенной в проведенном научном исследовании проблемы продемонстрировало преимущества сформулированных рекомендаций по внедрению новых конфигураций бухгалтерского учета и управленческой отчетности в условиях модернизации внутренней системы принятия решений, инновационных подходов по обеспечению финансовой устойчивости страховщика и их влиянии на эффективность деятельности страховых обществ, их имиджа на рынке, развитие клиентского портфеля, укрепление связей с сообществом и увеличение капитала.

**Теоретическая значимость и прикладная ценность** вытекают из теоретической и практической применимости учета внутри бизнес-процессов, характерных для деятельности страховых обществ. Теоретическая значимость заключается в способности обеспечить понимание бизнес-процессов в страховом секторе и организации бухгалтерского учета внутри этих процессов.

Реализация прогнозируемых результатов в научной диссертации научных получены путем применения модели раздельного учета по бизнес-процессам, специфичным для деятельности страховых обществ. Также организован Государственным Университетом Молдовы курс по применению МСФО в практике страховых обществ «Общие международные принципы бухгалтерского учета в практике страховых компаний по МСФО» и внедрены во всех субъектах страховой отрасли страны. К диссертации прилагаются 4 акта о введении результатов в практике страховых обществ. Разработано и опубликован учебник «Бухгалтерский учет в страховых обществах», который используется при преподавании курса «Учет страховых компаний» по специальности «Бухгалтерский учет» в ГУМ и в других учебных заведениях страны. Результаты исследования были опубликованы в 17 статьях в научных журналах, были представлены на национальных и международных конференциях. В то же время полученные результаты могут быть использованы регулирующими органами на национальном и международном уровне.

**DOLGHI Vladimir**

**RECONFIGURATION OF MANAGEMENT ACCOUNTING IN INSURANCE  
COMPANIES AS PART OF THE MODERNISATION OF THE INTERNAL DECISION-  
MAKING SYSTEM**

**522.02 ACCOUNTING; AUDITING; ECONOMIC ANALYSIS**

Summary of the PhD thesis in Economic Sciences

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Approved for publication: *21.03.2024*

Paper size A4, Offset paper.

Printing offset

Circulation 50 copies

Printing sheets.2,85

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Editorial-Poligraphic Centre of Moldova State University,  
no.60 Al. Mateevici, Street, MD-2009, Chisinau municipality,