

The second edition of CIMA's 'Global Principles in Management Accounting' Guide - the updated 'navigation system' for finance professionals in the dynamic business environment

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Abstract. The business world is going through a phase of dynamic transformation, which is leading to change and complication of the way of working, business models and customer expectations. On the other hand, technological advances provide opportunities for finance professionals and teams to apply their knowledge, skills and competencies in new areas - adapting artificial intelligence, automating processes and focusing on activities related to the impact of organisations on the environment and society, as well as the quality of corporate governance. With its latest update, the Principles (GMAP - Global Management Accounting Principles) reflect the dynamic changes in the business environment of organizations by focusing on the application of management accounting techniques that support value-driven decision making as well as the performance management process. The focus of management accounting, again, is expanding to non-financial information related to corporate sustainability and its integration into the decision-making process. The purpose of this paper is that, through a review of publications on the subject, to present the genesis and development of the idea of applying global principles to management accounting, and to clarify the key changes through which CIMA is attempting to adapt the Principles to the factors of the new dynamic business environment that have had the greatest impact on organisations over the last decade - the updating of a kind of 'navigation system' in management accounting for financial professionals.

Key words: CIMA, ESG, Global Management Accounting Principles (GMAP), Sustainability, performance management.

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1. Introduction

In the last few decades, the business world has seen increased competition between small and large, public and private organisations. Businesses need to respond appropriately to risks and protect the value they generate in the long term. Rapid changes in the business environment are leading to changes and complications in work practices, business models and customer expectations that organisations need to adapt to. On the other hand, technological advances provide opportunities for finance professionals and teams to apply their knowledge, skills and competencies in new areas - adapting artificial intelligence, automating processes and focusing on activities related to the impact of organisations on the environment and society, as well as the quality of corporate governance. All of the above leads to the need for management accounting to apply a professional approach to the process of generating information for effective management decision making. A way of working based on the best practice in the field, including GMAP, that brings to the fore the most relevant management information for analysis and sustainable value creation in the enterprise.

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that have had the greatest impact on organisations over the last decade - the updating of a kind of 'navigation system' in management accounting for financial professionals.

2. The role of principles in Management Accounting of organisations

The nature of management accounting has been a subject of discussion in academic and business circles for more than 90 years. During this time, numerous scientific organisations have attempted to define exactly what it is. However, despite many definitions over the decades, no single definition of the nature of the scientific field has been reached (Amato, 2023).

At the end of 2014, CIMA (the Chartered Institute of Management Accountants) and AICPA (the Association of International Certified Professional Accountants), introduced GMAP. This appears to be a logical extension of the evolution in the understanding of the nature of management accounting, with the four basic principles set out. They are accepted as logical rules and qualitative characteristics to which management information should conform. This marks the beginning of the integration of management accounting with business activities and, more precisely, how to apply it in practice, in the daily activities of professionals. In order to define the concept of management accounting, it is necessary to define its basic principles. To date, these are as follows: "Management accounting is the sourcing, analysis, communication, and use of decision-relevant financial and nonfinancial information to generate and preserve value for organizations." (AICPA & CIMA, 2023b).

In the new dynamic reality of business globalisation, economic crises and global pandemics, companies will find it increasingly difficult to preserve and create value, to make effective management decisions and to gain the trust of all stakeholders. This calls for a comprehensive strategy to build effective management accounting, with the soldering substance being the global universal principles developed on professional consensus. They therefore act as a binding element and a foundation for effective management accounting.

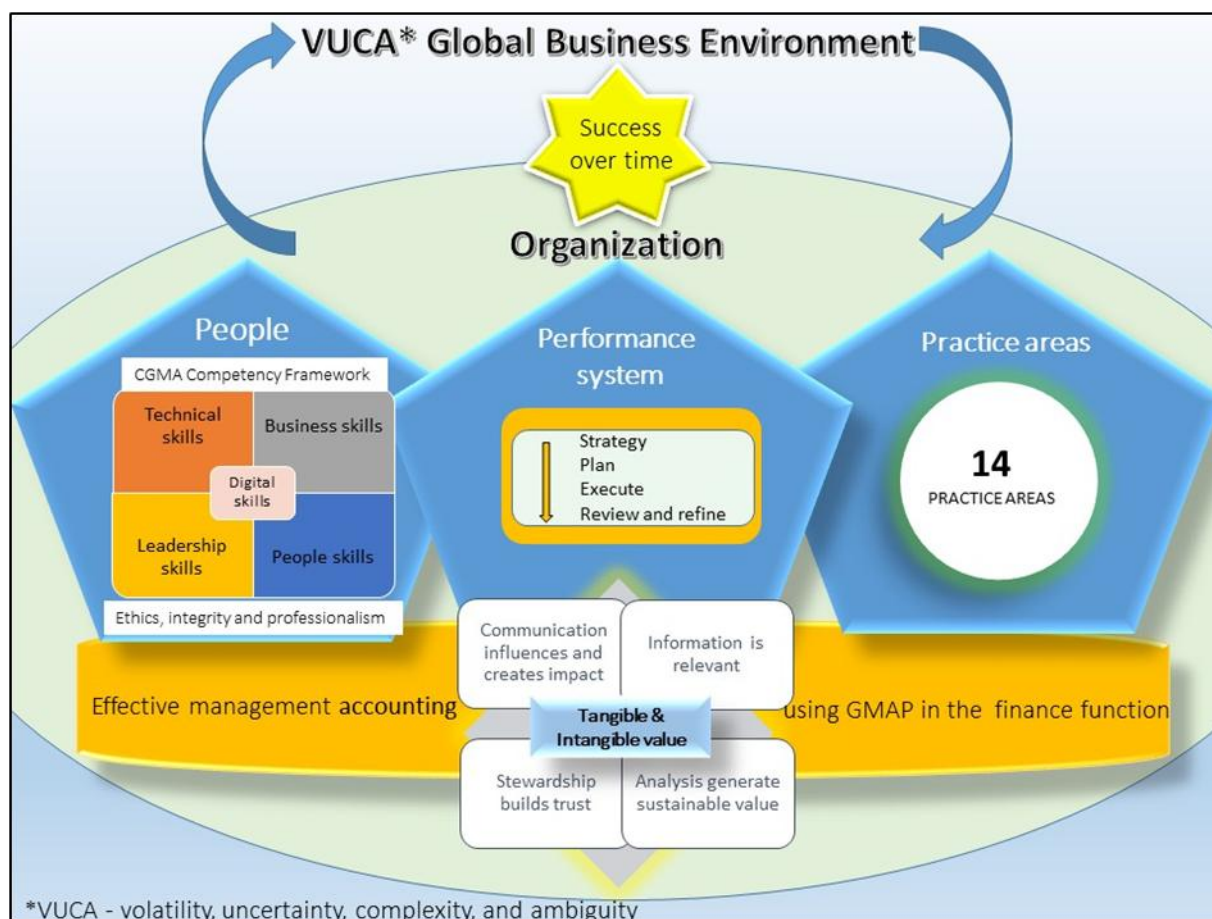


Figure 1. GMAP as the basis of effective management accounting. Adapted by: (AICPA, 2017); (Genov, S. et al., 2023)

For organisations to achieve the ambition they all share - sustainable success over time, they need to build effective management accounting functions. This can be done by implementing a model for effective management accounting based on the following combination (Fig. 1) - clear Principles, competent professionals, well-managed performance, and application of best practices (AICPA, 2017).

The very first edition of the Guide brings out the idea that effective management accounting is carried out by skilled and competent professionals who apply the Principles to maintain and improve the organization's performance management system through the practice areas in which they work (AICPA, 2017). This concept is further developed and updated in the second edition of the Guide to reflect changes in the Competency Framework, the Strategic Scorecard, and other management accounting components related to the Principles (AICPA & CIMA, 2023b).

3. The evolution of the principles – historical context and factors influencing their application

The first universal set of global management accounting principles that provide guidance for management accounting practice was published in 2017 as a product of the evolution of the idea of them and management accounting in general (Georgiev & Hristov, 2022). The principles' guide is based on extensive research conducted in over 20 countries on five continents in collaboration with a wide range of stakeholders in the process, which determines their universal focus and applicability.

What distinguishes the CIMA and AICPA guidance is that it develops a set of key concepts and principles in a manner that is very similar to the International Accounting Standards Board (IASB) in developing concepts and standards for financial statement preparation purposes. The principles are also closely aligned with CIMA's professional activities and the Chartered Global Management Accountant (CGMA) certification programme.

It should be noted that in parallel with the evolution of the idea of global principles in management accounting, the understanding of CIMA and key stakeholders about the development of effective management accounting as a system in which the Principles are a key component, but not the only one, is evolving. The Association and its partners are making efforts by conducting research and presenting their reports on the other components (Georgiev & Hristov, 2022):

- concepts of the organization's business model and the concept of value;
- the skills, knowledge and competencies, behaviour and ethics of management accounting professionals;
- optimization of the tools used in the different areas of management accounting practice.

The first edition of the Guide addresses important aspects such as the rationale for the need to improve decision making, the purpose and objectives of the Principles, users and success factors for their application, a presentation of their nature and key features, application of the Principles to the components of the model for effective management accounting, and more.

The main problems (Georgiev and Hristov, 2022), which are also the main reasons for drafting the first edition of the Principles brought out by the specialists, are related to the decision-making process, which is becoming increasingly complicated. Moreover, managers often make impulsive and hasty decisions without having secured relevant information and without having gained a deeper insight within the entire decision-making process. This calls for the need to apply principles that enhance its quality - to provide a framework of high standards for management information and financial control, to enable evidence-based decision-making with a priority on long-term success rather than short-term benefits. Management decisions should focus on creating, sharing and preserving value in the short, medium and long term. The principles also provide an opportunity for CFOs to benchmark their own operations against what the best performing organizations in the segment are trying to do (CGMA Harding, 2017,00:02:20).

The professionals involved in one way or another with the creation of the first guide to the Principles also expected the latter to fill a gap (Tilley, 2014) related to providing guidance to ensure consistency across the various management accounting techniques globally, a practice long established in financial accounting. Guidelines that are uniform in nature and applicability, including in for-profit and not-for-profit organizations, public organizations, etc. It is believed that the Principles will assist in establishing order in a relatively complex subject such as management accounting. In this regard, they provide a basis for the application of a holistic approach, providing a conceptual framework that implies the collection and sharing of key information (including financial and non-financial) from all areas of the business and that encourages an integrated mindset and activity.

All of the above should inspire confidence and build trust in management, stakeholders, investors and the public about the actions that organizations take, and in addition, increase the importance and role of management accounting professionals in them (Georgiev & Hristov, 2022).

After 2014 and the first published principles, active work is being done to promote them. They gained wide popularity, becoming one of the most downloaded documents from the CIMA website (Amato, 2023). In the nearly

decade since then, the business environment has undergone significant changes. Some of the most important factors affecting the business environment are the impact on humanity of global phenomena such as pandemics and military conflicts, as well as major technological advances. New technologies allow for increasing flexibility and impose the need for management accountants to adapt to new work practices and data analysis. This drives the need to revise the Principles to reflect new business realities and to better align with their own objectives.

In an interview with FM Magazine, David Hackett, an AICPA & CIMA technical manager, further details the impact of these factors on today's business environment and links them to the update of the Principles. Hackett points out that the pace of development in the adaptation of artificial intelligence and related new technologies and process automation is evolving significantly as this conditions easier access to different information provided by various competing technologies, with the Principles enabling professionals to navigate among them (Amato, 2023).

Hackett (2024) adds that another significant factor is the growing role of ESG (environmental, social and governance) standards. Regulations in this area have been evolving dynamically, especially in the last few years, and organizations need to focus on activities related to the organizations' impact on the environment, society and corporate governance. The introduction of two new sustainability standards in 2023 by the International Sustainability Standards Board aims to provide investors and other stakeholders with internationally comparable and assured sustainability information to support better decision-making. All of this should be reflected in the Guide, focusing on long-term sustainable value creation.

4. The update of the principles to modern business conditions - GMAP 2.0

Significant changes have become clear since the first edition or the GMAP was published in 2014. This leads to the reflection of these transformations in the second edition. Its principles have been revised and updated based on feedback from business leaders, CFOs, academics and regulators from 20 countries. The rationale for including a principle, its logical relationship to the others, and whether it should be updated or retained in its original form in the new edition are summarized in a tabular format based on a review of views expressed (Amato, 2023) by Association representatives.

Table 1.

Update of the principles in GMAP 2.0

Principle	Justification of the principle and logical relationship to other principles	Necessity and directions of update in GMAP 2.0
<p>I. Communication influences and creates impact The principle highlights the importance of effective communication for informed decision-making.</p>	At the core of management accounting is the idea of effective communication, without which it is impossible to successfully apply the other principles.	The principle is further developed to emphasise that communication should not only convey information but also bring about real changes, supporting better decisions and implementation of strategies at all levels.
<p>II: Information is relevant Emphasis is placed on the need to provide relevant and timely management information.</p>	Management accountants need to provide not just any information available, but precisely that which is relevant to the business and supports the execution of strategies, creating value.	Despite technological advances and the increasing amount of data, this principle remains unchanged, as the reliability and relevance of information is more important than ever.
<p>III. Analysis generates sustainable value Focuses on assessing the impact of decisions on the value of the organization.</p>	When communication has created impact and the right information has been provided, it is necessary to analyse the latter in order to interpret its causality and lead to a range of potential outcomes.	The principle is extended by emphasising that analysis generates sustainable value. This shifts the focus from short-term financial performance to long-term value, including not only financial but also social, environmental and economic aspects. This ensures the creation of a sustainable business model that ensures continued access to the necessary resources and maintains the long-term stability of the organisation.

IV. Stewardship builds trust The importance of ethics and accountability in accounting is emphasised.	This is the last stage of the cycle going through communication, gathering relevant information and conducting its analysis, ending with its use to manage the business in a way that enhances trust.	The focus here is on effective management of the organisation's relationships, resources, assets and reputation to ensure that the value is enhanced. The importance of engagement with stakeholders is emphasized because no organisation operates in isolation and its success depends on building sustainable relationships with partners, customers and other stakeholders.
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Source: (Amato, 2023)

The Association's strategy for updating the Principles (AICPA & CIMA, 2023b) is to provide more comprehensive best practice guidance based on them to make better business decisions and demonstrate how to drive sustainable value creation. The guide also contains examples of effective application of the Principles for all areas of management accounting practice. The Guide is therefore a valuable resource that needs to be used in professional practice. (DigitalCFO Newsroom, 2023)

David Hackett, technical manager for the AICPA & CIMA, points out that in the 2nd Edition of the Guide, GMAPs are tied to broader research related to business models, ESG guidelines, and corporate governance (Amato, 2023). Hackett explains that in the past, the concept of ESG reporting has been mostly voluntary, but with the introduction of the new international sustainability standards in 2023, organizations will be assisted in making informed decisions in this aspect (Hackett, 2024). The Association is attempting, through the updated Principles, to enable organisations to gain insight and understanding of the changes in regulatory requirements related to ESG disclosures and how they can adapt their business models to these new frameworks (Amato, 2023).

The revised GMAP reflects this shift by shifting the focus from traditional financial aspects of value to long-term sustainable value creation (Hackett, 2024). In addition, the Guide includes a new section on corporate governance more broadly to reflect the greater strategic role that the management accounting profession plays in this area. The new approach focuses on corporate governance and business transformation, which is essential in the context of dynamically changing business models.

The knowledge gained from research in all significant aspects of management accounting conducted by the AICPA & CIMA has led to modern tools, one of which is the updated version of the Strategic Scorecard. It prioritizes performance evaluation and strategic issues in enterprise management. By using such modern resources from the Guide, management accountants can effectively leverage their expertise and contribute to the sustained success of their organizations in a dynamic business environment. (DigitalCFO Newsroom, 2023)

The necessary framework for problem analysis and decision making within the finance function is realised through the application of GMAP by management accountants in their everyday work. Through the prism of the four core principles, their thought process is guided and informed decision making is supported. In terms of career development and reaching higher financial or management positions, the Principles can be applied by professionals in a new context - in strategic business or investment decisions. GMAP 2.0 is closely aligned with the Competency Framework, which was updated in 2019 to support the development of key skills in management accountants. The Guide also provides guidance on indicative behaviours that indicate recommended professional attitudes and actions at work, in line with the Principles (Amato, 2023). Ash Noah CPA, CGMA, FCMA, VP & Managing Director Learning Education & Development at the AICPA states that "the principles will enable management accountants to gain recognition within their organisation" (AICPA & CIMA, 2023a). Therefore, the Guide appears to be a valuable tool at all stages in the career development of management accounting professionals, as a basis for making sound management decisions in different financial positions in organizations.

5. Conclusions & recommendations

The principles of management accounting are the result of a long and comprehensive process of development in the theory and practice of this discipline. They focus on the application of management accounting techniques that support sustainable value-oriented decision making and the performance management process, establishing them as uniform guidelines applicable to a wide range of enterprises while reinforcing the role of the management accountant in a dynamic business environment. Developing and adapting GMAP to it is an ongoing process that, unlike the burdensome path of legislation and regulation of deriving and applying principles in financial accounting, has the ability to respond to changes in the environment in a timely manner. This raises the question in what directions the Association can optimize this process.

From a document in which the Association attempts to clarify the nature of the Principles through the perspectives of organisations and professionals, it has evolved into a comprehensive guide to management accounting, which could be reflected in the title of the publication, e.g. Management Accounting Conceptual Framework or The Ultimate Guide for Management Accounting.

For the universal dissemination of the Guide as a comprehensive concept and way of thinking in the field of management accounting, it is appropriate for the Association to consider various initiatives to interact with and encourage academics from universities to implement them in their curricula. It is in the process of their training that future professionals will be able to gain insight into their mission as professionals in the field of managing the financial function of organisations and gradually embark on their career path, supported by the academic, professional and business communities.

In a digital and high-tech world, it is appropriate to create a digital platform that facilitates the process of updating the Guide to be faster and more adaptable to the dynamically changing business environment, rather than through the periodic issuance of a document. In a digital solution, more participants can be brought in from the broader stakeholder community, through various forms of communication, enabling them to share new views on principles, value creation processes, new ideas on practice areas, suggestions for new management accounting tools, etc. Having such an open digital system to communicate, filter, analyse and summarise the best views and practices in the area of finance function management will establish a secure link and mutual exchange between the concepts of the Principles and their application in practice, with the authority and expertise of the professionals of the Association being the guarantor of all the above.

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