

INTERMEDIATE MANAGEMENT BALANCES IN PERFORMANCE MEASUREMENT. A COMPARATIVE ANALYSIS OF CONTINENTAL AND ANGLO-SAXON APPROACHES

Maria Zenovia GRIGORE*

Cristina MATEI**

Viorica ȘTEFAN-DUICU***

Abstract

This article examines the use of Intermediate Management Balances in assessing corporate performance, focusing on the differences between the French and Anglo-Saxon approaches. While the French (Continental) approach emphasizes structured, standardized intermediate balances based on statutory financial statements, the Anglo-Saxon model prioritizes managerial flexibility and real-time decision-making tools. Using the comparative method, we analyze when each approach is more suitable depending on firm-specific characteristics, and strategic objectives. This research contributes to cross-cultural accounting understanding and offers recommendations for practitioners operating in global environments.

Keywords: financial performance, intermediate balances of management, Added Value, EBITDA, EBIT.

1. Introduction

Intermediate management balances (IMBs) are financial metrics derived from accounting statements that help assess profitability, cost structure, and performance across business cycles. Although commonly used across various jurisdictions, the methodologies behind their calculation and use differ significantly between countries with Continental accounting traditions (e.g., France, Germany, Italy, Spain, Belgium) and those following Anglo-Saxon practices (e.g., UK, Ireland, US, Australia, Canada).

The purpose of this article is to clarify the conceptual, structural, and practical differences between the French and Anglo-Saxon approaches to IMBs. The French model, rooted in the Continental accounting tradition, emphasizes a systematic and detailed breakdown of income and expenses through a series of successive margins, offering a layered view of how value is created within a company. In contrast, the Anglo-Saxon model, shaped by Common Law principles and a strong focus on investor information, tends to prioritize broader performance indicators such as EBITDA, EBIT, and Free Cash Flow, often minimizing the importance of step-by-step result formation.

By comparing these two frameworks, the article provides insights into how each system supports internal decision-making, performance evaluation, and financial communication. This comparison not only contributes to a deeper understanding of international practices but also helps managers, analysts, and scholars identify the contexts in which one approach might be more appropriate than the other, depending on the regulatory environment, reporting objectives, and stakeholder expectations.

The research methods used in this study are qualitative, through documentation, observation, interpretation, explanation, and understanding of the applied procedures, and comparative, through practical example applicable to both approaches.

This comparative approach is particularly relevant in today's global business environment where multinational firms operate under multiple accounting paradigms.

* Associate Professor, PhD, Faculty of Economics and Business Administration, „Nicolae Titulescu” University of Bucharest (e-mail: mgrigore@univnt.ro).

** Lecturer, PhD, Faculty of Economics and Business Administration, „Nicolae Titulescu” University of Bucharest (e-mail: cmatei@univnt.ro).

*** Lecturer, PhD, Faculty of Economics and Business Administration, „Nicolae Titulescu” University of Bucharest (e-mail: viorica.stefanduicu@univnt.ro).

2. Current state of knowledge

According to Sudacevschi & Ștefan-Duicu, achieving performance implies the fulfillment of a necessary primary condition, namely the development and implementation of a specific system of indicators for measurement¹.

The assessment of a company's financial performance is often based on standardized indicators. In this context, IMBs represent an important analytical tool, particularly within the European space. In the specialized literature, two main approaches can be distinguished: the French approach, which details the formation of the result through successive stages, and the Anglo-Saxon approach, which emphasizes financial flows and operating profit.

2.1. French (continental) Approach

Many European scholars have (e.g., Colasse et al.; Richard et al.) pleaded for the French approach to intermediate management balances (*in French*: Soldes Intermédiaires de Gestion, or SIG), emphasizing its structured methodology and utility in internal performance analysis.² This approach, rooted in the continental accounting tradition, offers a detailed breakdown of income and expenses, facilitating a comprehensive understanding of a company's financial performance. Each SIG component gives insight into a different layer of value creation, making this tool especially useful for internal management, profitability analysis, and cost control. Table 1 contains the main Intermediate Management Balances (continental approach) and their formulas.

Table 1: Intermediate Management Balances in French Approach

Intermediate Management Balances in French Approach		IMBs Formulas
(English)	(French)	
Production of the financial year	Production de l'exercice	Sold production + /– Stock variation + Capitalized production
Sales margin	Marge commerciale	Sales of goods – Cost of goods sold
Added value	Valeur ajoutée	Production of the financial year – External purchases (excluding financial and exceptional items)
Gross operating surplus	Excédent brut d'exploitation	Added value – Personnel expenses – Taxes and duties (excluding income tax)
Operating result	Résultat d'exploitation	Gross operating surplus + Other operating income – Operating expenses – Depreciation & amortization
Current result	Résultat courant	Operating result + Financial income – Financial expenses
Gross result	Résultat brut	Current result + Exceptional income – Exceptional expenses
Net result	Résultat net	Gross result – Income tax

Source: Created by authors

¹ See M. Sudacevschi, V. Ștefan-Duicu, *Financial Performance Analysis of the Company through Profitability Ratios*, in Challenges of the Knowledge Society Journal, 2024.

² See: B. Colasse, B. Oxibar, *L'analyse financière de l'entreprise*, 6th ed., La Découverte, Paris, 2021; J. Richard, D. Bensadon, Al. Rambaud, *Comptabilité financière – Normes IFRS et françaises*, 11th ed., Dunod, Paris, 2018.

In Romania, this approach is widely adopted. Works such as those by Dragotă et al.³ and Gomoi⁴ highlight the advantages of the French method in the context of internal analysis and fiscal reporting. The intermediate balances allow for a logical breakdown of result formation and facilitate management decision-making, being frequently used in managerial accounting and in assessing the added value generated by the company.

2.2. Anglo-Saxon Approach

In contrast, the Anglo-Saxon approach tends to be more flexible and focused on managerial decision-making. It prioritizes concepts such as contribution margin and cash-based performance indicators. There is less standardization and more emphasis on tailoring metrics to management's strategic needs (Horngren *et al.*; Kaplan & Norton)⁵. The performance indicators are typically derived from the income statement and cash flow statement, emphasizing operational efficiency, profitability, and investor-related metrics. A model of the IMB in the Anglo-Saxon approach is provided in Table 2.

Table 2: Intermediate Management Balances in Anglo-Saxon Approach

Intermediate Management Balances in Anglo-Saxon Approach		Meaning
Variable Cost Margin	$VCM = \text{Turnover} - \text{Variable Expenses}$	Reflects the basic profitability of core operations before overhead and other costs.
Earnings Before Interest, Taxes, Depreciation and Amortization	$EBITDA = VCM - \text{Fixed Expenses (excluding Depreciation and Amortization)}$	Often used to evaluate a company's cash-generating ability before non-cash and financial costs. Helps compare companies across sectors or countries by removing non-operating effects.
Earnings Before Interest and Taxes	$EBIT = EBITDA - \text{Depreciation and Amortization}$	Highlights operational efficiency. Allows comparison between companies with different capital structures.
Earnings Before Taxes	$EBT = EBIT - \text{Interest expenses}$	Reflects the company's financial performance influenced by both operating and financing activities, but not by taxation. Helps compare companies regardless of differences in tax regimes.
Net Result	$NR = EBT - \text{Corporate Income Tax}$	Represents the result after deduction of all expenses.
Free Cash Flow (<i>optional but highly valued</i>)	$FCF = \text{Operating Cash Flow} - \text{Capital Expenditures}$	Shows how much cash is available for dividends, debt repayment, or reinvestment. It is not part of the income statement directly.

Source: Created by authors

The Anglo-Saxon accounting framework regards turnover as the principal source of income and typically excludes concepts such as capitalized production and inventory production variation from its performance measurement structure.

This approach is preferred in the investment environment and in international reporting (IFRS, US GAAP), as it provides a clearer view of the company's ability to generate cash flow and operating profit. EBITDA, in particular, is frequently used as a proxy for operational performance, eliminating the impact of depreciation and financial structure.

³ See V. Dragotă, L. Obreja Braşoveanu, M. Dragotă, *Management financiar. Volumul I – Diagnosticul financiar al companiei*, 2nd ed., Economic Publishing House, Bucharest, 2012.

⁴ See B.C. Gomoi, *Analiza structurilor de rezultate aferente unei societăţi pe acţiuni*, CECCAR Business Review no. 4/2022.

⁵ See: C.T. Horngren, S.M. Datar, M.V. Rajan, *Cost Accounting: A Managerial Emphasis*, 15th ed., Pearson, 2015; R.S. Kaplan, D.P. Norton, *The Balanced Scorecard – Measures That Drive Performance*, Harvard Business Review, Boston, 1992.

Although less prevalent in Romania, some Romanian economists argue that the Anglo-Saxon approach to Intermediate Management Balances is more suitable than the continental model. For example, Stancu⁶ recommends focusing on operational cash flow, profitability, and value creation, in line with the Anglo-Saxon approach. In his opinion, „For assessing a company’s ability to generate value, emphasis should be placed on net cash flows from operations and on economic profit, not just on the accounting result. EBITDA or net operating cash flow are more relevant for financial decision-making than net income, which can be distorted by accounting policies or tax treatments.”

Dragotă⁷ considers that the Anglo-Saxon approach greatly simplifies the reality at the company level, with the advantage of flexibility and the disadvantage of relative superficiality.

Anglo-Saxon systems often prioritize relevance and timeliness over standardization, aligning more closely with investor-oriented financial systems. Golochalova⁸ considers that the continental (European) model of accounting uses a legal approach to preparing financial statements, while the Anglo-Saxon model uses an economic approach.

Table 3 summarizes the main differences between the two approaches.

Table 3: The main differences between IMB in the French Approach and IMB in the Anglo-Saxon Approach

Criterion	French Approach	Anglo-Saxon Approach
Objective	Detailed analysis of result formation	Analysis of operating profit and cash flow
Key Indicators	Added Value, Gross Operating Surplus, Current Result, Net Result	EBITDA, EBIT, EBT, Net Result
Type of Accounting	National, tax-based accounting	Financial accounting oriented toward investors
Usage	Internal use, management control	External reporting, investment evaluation
Treatment of Internal Production (capitalized or inventory production)	Included	Not directly considered

Source: Created by authors

In practice, these differences can significantly influence how a company's performance is perceived, especially in the context of international evaluation.

3. Research Methodology

The case study focuses on a Romanian company operating in the production and distribution of industrial equipment and aims to apply IMB using both the French and Anglo-Saxon approaches. The chosen company is relevant for the comparison of the two approaches because the cost structure reflects typical expense categories found in both administrative and operational settings, including cost of goods sold, raw materials, wages, external services, depreciation, and taxes. The presence of income components such as capitalized production, inventory variation, and exceptional results is useful to test how each approach accounts for and interprets these elements.

The comparative analysis includes:

- Full reconstruction of IMBs using both the French and the Anglo-Saxon models;
- Tabular presentation of results, showing each indicator, subtotal, and final net result;
- Commentary highlighting structural, conceptual, and practical differences between the two systems;

⁶ See I. Stancu, *Finanțe*, 4th ed., Economic Publishing House, Bucharest, 2007.

⁷ See V. Dragotă, L. Obreja Brașoveanu, M. Dragotă, *op. cit.*

⁸ See I. Golochalova, *A Model for Measuring the Usefulness of Financial Reporting and the Effectiveness of Its Application. The Case of Reporting Methodology of the Republic of Moldova*, in *Annales Universitatis Mariae Curie-Skłodowska*, sectio H – Oeconomia, vol. 58, no. 2/2024.

- Performance interpretation: Focus on how each system reflects the financial health and profitability of the business and the signals it sends to management, regulators and investors.

4. Comparative Case Study

The calculation of the Intermediate Management Balances is based on the financial data from TechEquipments SA's Profit and Loss Statement (Table 4).

Table 4: Revenues and expenses of TechEquipment SA

	Income and Expense Data	Amount RON)
1	Turnover, of which:	267,365,897
	- Sales of goods	154,863,291
	- Sold production	112,486,983
	- Revenue from operating grants	15,623
2	Stock variation	212,105
3	Capitalized production	15,200
4	Purchases of goods	136,533,510
5	Raw materials, supplies and external services	64,487,797
6	Tax expenses (excluding income tax)	98,526
7	Wages and salaries	9,617,858
8	Depreciation and amortization	855,359
9	Financial income	125,431
10	Financial expenses (interests expenses)	10,260,638
11	Exceptional income (related to the sale of assets and other capital operations)	24,902
12	Exceptional expenses (related to the sale of assets and other capital operations)	309,219
13	Corporate income tax	7,748,707

Source: The profit and loss statement of TechEquipments SA

Table 5 presents the calculation of the Intermediate Management Balances (IMB) for TechEquipments SA, applying the French methodological framework. This version follows the structured approach characteristic of the French accounting system, which emphasizes a step-by-step breakdown of income and expenses, offering a detailed view of the company's operational and financial performance.

Table 5: Intermediate Balances of Management (French format)

	IMB (French format)	Amount (RON)
1	Sales of goods	154,863,291
2	Purchases of goods	136,533,510
3	Sales margin (1 -2)	18,329,781
4	Sold production	112,486,983
5	Stock variation (+/-)	212,105
6	Capitalized production	15,200
7	Production of the financial year (4 +5 + 6)	112,714,288
8	Raw materials, supplies and external services	64,487,797
9	Added value (3+7-8)	66,556,272
10	Revenue from operating grants	15,623
11	Tax expenses (excluding income tax)	98,526
12	Wages and salaries	9,617,858
13	Gross operating surplus (9+10-11-12)	56,855,511
14	Depreciation and amortization	855,359
15	Operating result (13-14)	56,000,152
16	Financial income	125,431
17	Financial expenses	10,260,638

18	Current result (15+16-17)	45,864,945
19	Exceptional income	24,902
20	Exceptional expenses	309,219
21	Gross result (18+19-20)	45,580,628
22	Corporate income tax	7,748,707
23	Net result (21-22)	37,831,921

Source: Authors' own calculations

The company obtains profit both from the commercial activity (purchase and resale of industrial equipment) and from the production activity, the Added Value resulting from the two activities being 66,556,272 RON. Gross Operating Surplus of RON 56,855,511 reflects a solid capacity to self-finance and invest. High financial expenses (interest) significantly reduce profit. This indicates high debt and reduces efficiency in converting operating profit into net profit. The Net Result is robust, indicating effective tax management and solid profitability overall.

Drawing on the data provided in Table 4, the IMBs would be determined in accordance with the principles of the Anglo-Saxon approach (Table 6). To determine the Variable Cost Margin, we took into account the structure of operating expenses (variable expenses in relation to turnover and fixed expenses). Variable costs change directly with production volume of output (like raw materials, merchandise, and direct labor). Fixed expenses are independent of turnover and include administrative staff salaries, utility costs related to the administrative spaces (such as offices), property taxes, mortgage or rent, and similar expenditures.

Table 6: Intermediate Balances of Management (Anglo-Saxon format)

	IMB (Anglo-Saxon format)	Amount (RON)
1	Turnover	267,365,897
2	Variable expenses	198,168,102
3	Variable Cost Margin (1-2)	69,197,795
4	Fixed expenses (excluding Depreciation and Amortization)	12,569,589
5	EBITDA (3-4)	56,628,206
6	Depreciation and amortization	855,359
7	EBIT (5-6)	55,772,847
8	Interests expenses	10,260,638
9	EBT (7-8)	45,512,209
10	Corporate income tax	7,748,707
11	Net result (9-10)	37,763,502

Source: Authors' own calculations

EBITDA registers a high value (over RON 56.62 million) reflecting a high cash generation capacity from core operations. Even though EBITDA has approximately the same significance as Gross Operating Surplus, there is a notable difference between the values of the two indicators. The same holds for operating, gross, and net result (Table 7).

Table 7: Comparative Analysis of IMBs (French Approach vs. Anglo-Saxon Approach)

	IMBs (French format)	IMBs (Anglo-Saxon format)
1	Gross operating surplus = 56,855,511	EBITDA = 56,628,206
2	Operating result = 56,000,152	EBIT = 55,772,847
3	Gross result = 45,580,628	EBT = 45,512,209
4	Net result = 37,831,921	Net result = 37,763,502

Source: Authors' own calculations

A first reason for the difference between the results obtained in the two approaches is the treatment of output components. The French model includes inventory variations and capitalized production in the computation of „Production of the financial year”, which inflates intermediate margins in certain industries. The Anglo-Saxon approach considers only receivable revenue, avoiding such adjustments.

Another cause is the treatment of exceptional and financial items. French IMBs isolate exceptional items and financial results, maintaining a clean separation of operating and non-operating activity. Anglo-Saxon IMBs often consolidate these into broader performance metrics, or even ignore them (like in our example). With regard to financial income and expenses, the Anglo-Saxon approach most often considers only interest expenses, ignoring financial income and financial expenses other than interest.

Comparing all the calculations made in the French approach (Table 5) with the Anglo-Saxon approach (Table 6), we observe that the differences are not only in the calculated indicators, but also in the focus of each perspective. The **French model** emphasizes wealth creation (*Added Value, Gross operating surplus*) as key markers for productivity and stakeholder sharing while the **Anglo-Saxon model** stresses efficiency and cash-like performance, using *Variable Cost Margin and EBITDA* as key indicators.

6. Conclusions

This study confirms that Intermediate Balances of Management are essential tools for performance measurement, although their construction and use differ significantly between the French and Anglo-Saxon systems.

The most significant differences between the French and the Anglo-Saxon approaches of IMBs are both conceptual and structural. The French approach is based in standardized frameworks, reflecting a stakeholder-oriented model where performance is decomposed into structured stages of value creation while the Anglo-Saxon approach is market and management-oriented, prioritizing flexibility, relevance and real-time decision support, especially for investors and managers.

French IMBs emphasize value added, gross operating surplus and current result, offering a clear view of how output is distributed between employees, creditors, shareholders and the state. Anglo-Saxon formats focus on contribution margin and EBITDA, and concentrate on operational efficiency and cash flow relevance.

These distinctions lead to significantly different interpretations of profitability, as seen in the case study: the same financial data yielded a net income of RON 37,831,921 in the French model and RON 37,763,502 in the Anglo-Saxon one, due to methodological differences in calculating output and performance.

The differences between the two approaches also include the fact that the Anglo-Saxon model is adaptable, with indicators that differ between industries and firms, while French IMBs have a uniform, top-down structure.

Each approach has distinct advantages depending on context, user needs, and regulatory environment. French IMBs are recommended when regulatory compliance and comparability across firms are essential or when companies operate in stakeholder-oriented economies where the distribution of value (*e.g.* to labor, government, lenders and shareholders) needs to be visible.

Anglo-Saxon IMBs are recommended when firms operate in fast-changing markets where flexibility, forecasting and segment analysis are vital (especially in finance, technology, retail or multinational operations). This approach is also recommended when decision makers need real-time, customizable reports aligned with KPIs and strategic objectives (*e.g.* EBITDA, EBIT).

Additionally, multinational corporations often combine both approaches: using IMBs for statutory French reporting and Anglo-Saxon dashboards for internal and external management communication.

Future research could explore hybrid models in multinational firms and the role of IFRS in harmonizing intermediate management balances.

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