

Accounting for Managers

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MGM341

Lecture 1
(Introduction to Managerial Accounting)



Learning outcomes

- LO 1** Identify the origins Accounting.
- LO 2** Explain the different forms of business ownership.
- LO 3** State the main reasons for studying Accounting .
- LO 4** Describe Activities & different users of Accounting information.
- LO 5** Explain the GAAP & the role of standards-setters bodies.
- LO 6** Comparing Managerial Accounting with Financial Accounting.
- LO 7** Identify the Managerial cost concepts.

The Origins of Accounting

The Origins of Accounting is generally attributed to the Italian mathematician “**Luka Pacioli**” in 1494.

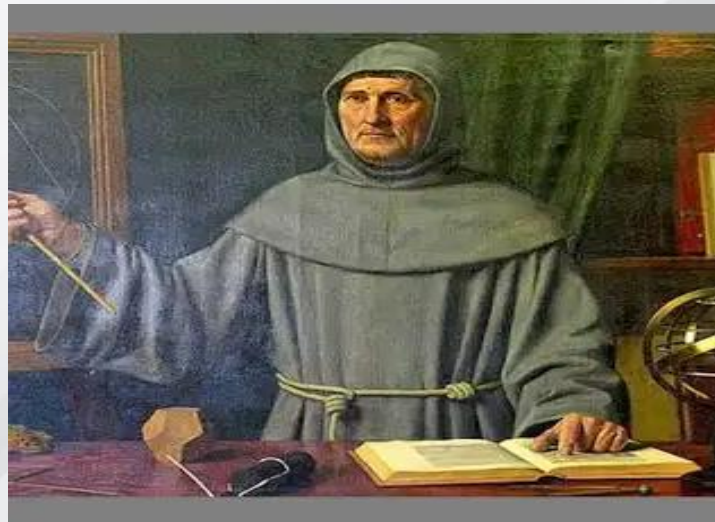
Luka developed the **Double entry system** which includes:



Debit



Borrower



Credit



lender

Forms of Business Ownership

Proprietorship

Owned by **one person**

Owner is often
manager/operator

Owner receives any profits,
suffers any losses, **and is
personally liable for all debts**

Partnership

- Owned by **two or more persons**
- Often retail and service-type businesses
- Generally **unlimited personal liability**
- Partnership agreement

Corporation

- Owned by **shareholders**
- Separate legal entity organized under state corporation law
- **Limited liability**

Why do we study Accounting ?

1. To Know the Business profit & loss.
2. To know the Business financial position.
3. To Know the changes in owner's capital.
4. To Know the business cash Position.



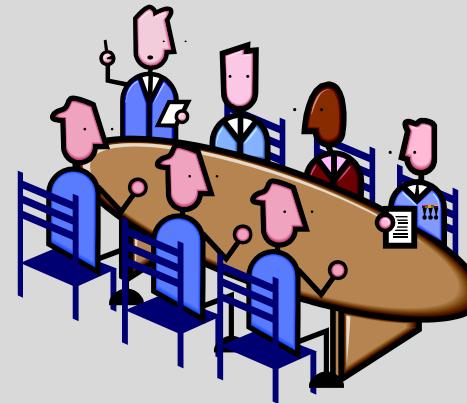
Users of Accounting Information

External Users



- Competitors
- Shareholders
- Governments
- External Auditors
- Lenders (Banks)
- Tax Authorities

Internal Users

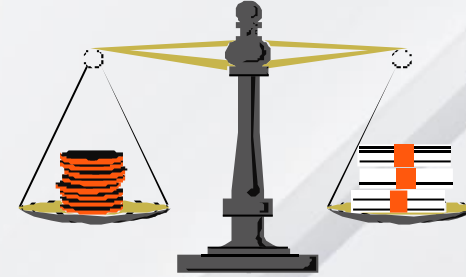


- Managers
- Employees
- Internal Auditors
- Budget Officers
- Controllers

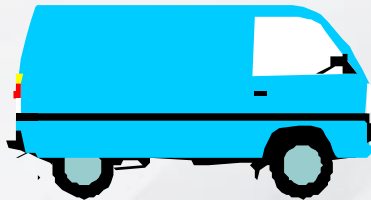
QUESTIONS ASKED BY **EXTERNAL** USERS



Is the company earning satisfactory income?



How does the company compare in size and profitability with its competitors?



Will the company be able to pay its debts as they come due?



What do we do if they catch us?

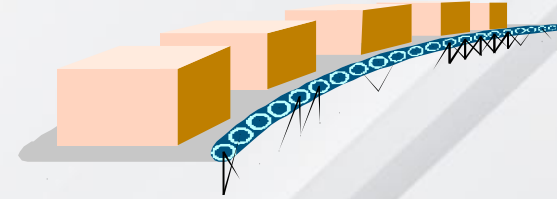
QUESTIONS ASKED BY **INTERNAL** USERS



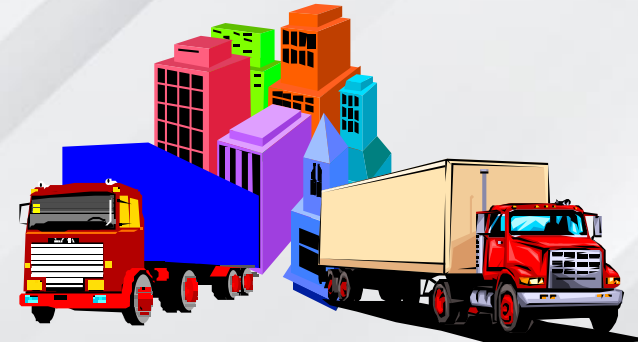
Is cash sufficient to pay bills?



Can we afford to give employees pay raises this year?



What is the cost of manufacturing each unit of product?



Which product line is the most profitable?

Generally Accepted Accounting Principles

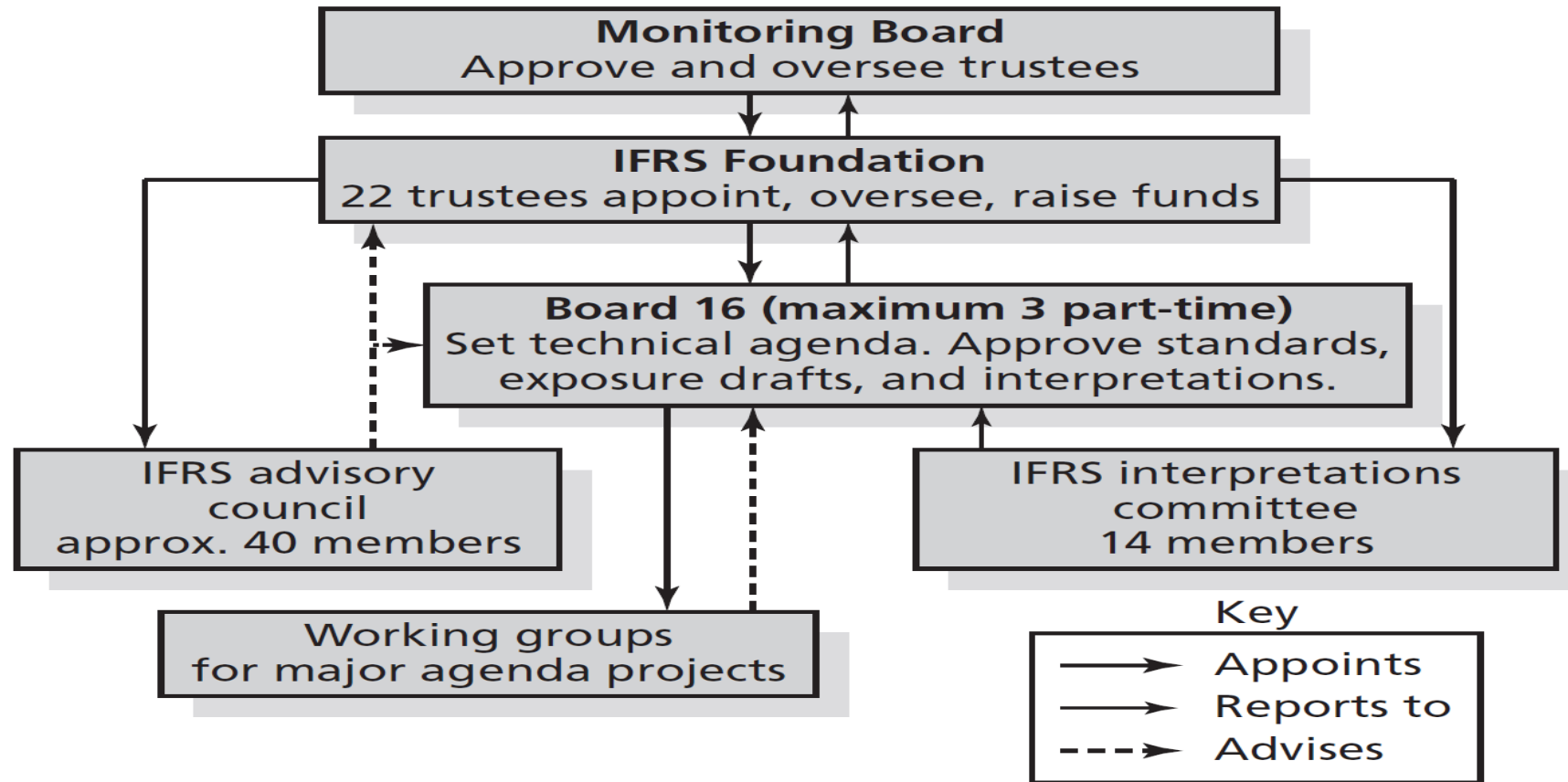
Standards that are generally accepted and universally practiced. These standards indicate how to report economic events.

Standard-setting bodies:

- **Financial Accounting Standards Board (FASB)**
- **International Accounting Standards Board (IASB)**



The Structure of the IASB



Managerial Accounting concept

Provides both **financial** and **non financial** information for managers and other internal users for the purpose of:

- **Planning.**
- **Control.**
- **Decision Making**

Comparing Financial and Managerial Accounting

Feature	Financial Accounting	Managerial Accounting
Users of Reports	External users: shareholders, creditors, and regulators.	Internal users: officers and managers.
Types and Frequency of Reports	Financial statements. Quarterly and annually.	Internal reports. As frequently as needed.
Purpose of Reports	General-purpose.	Special-purpose for specific decisions.
International Standards	Follow prescribed standards IFRS- US.GAAP	Does not follow prescribed Standards
Verification Process	Audited by accountants.	No independent audits.

Management Functions

Planning

- Maximize profit and market share
- Commit to environmental protection and social programs
- Add value to the business

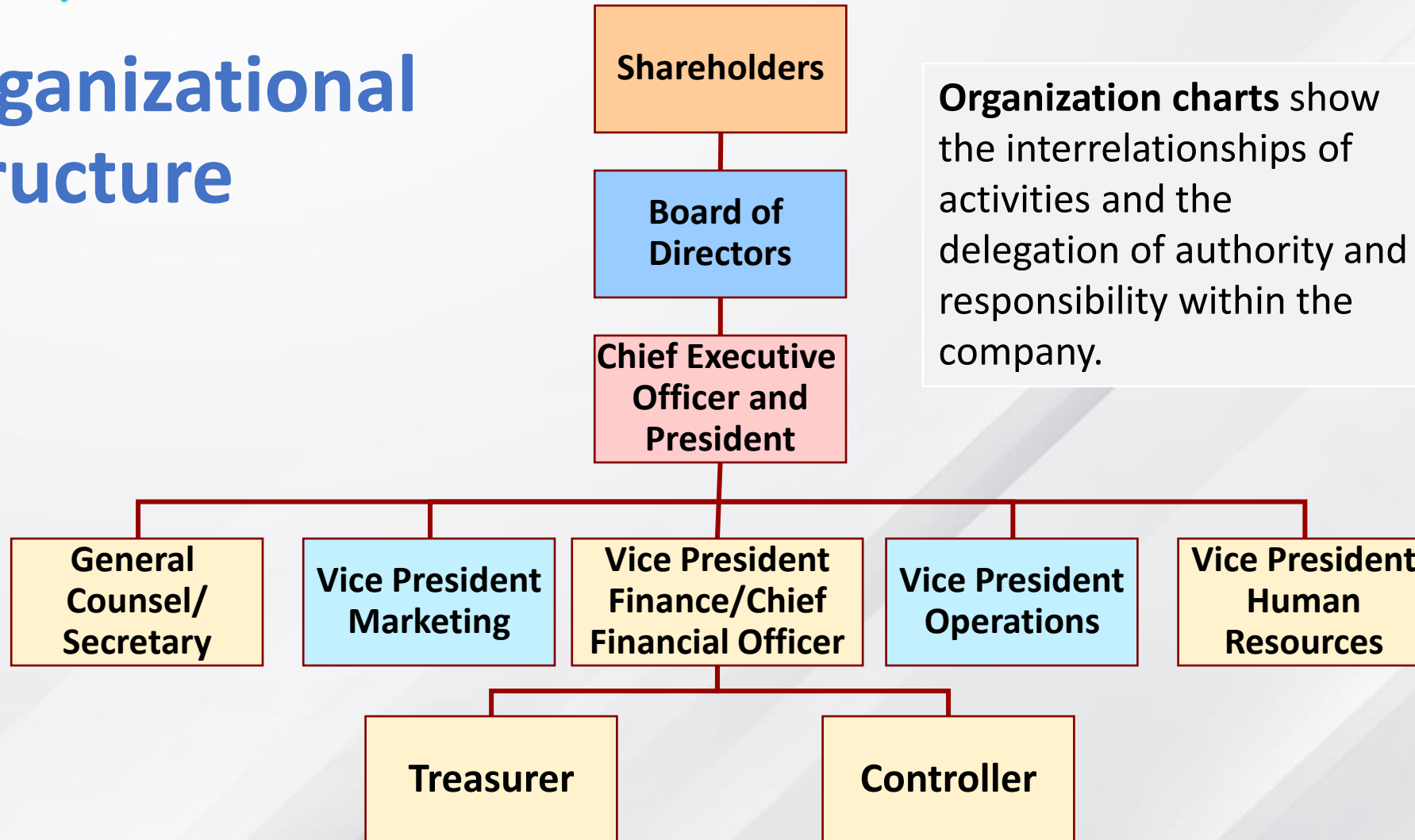
Directing

- Implement planned objectives
- Provide incentives to motivate employees
- Hire and train employees

Controlling

- Keeping activities on track
- Determine whether goals are met
- Decide changes needed to get back on track
- Performance Evaluation

Organizational Structure



Chief Financial Officer (CFO)

Controller Functions

- **Planning for control**
- **Reporting and interpreting**
- **Evaluating and consulting**
- **Tax administration**
- **Government reporting**
- **Protection of assets**

Treasurer Functions

- **Investor relations**
- **Short-term financing**
- **Banking**
- **Credits and collections**
- **Investments**
- **Risk management**
- **(insurance)**

DO IT

Indicate whether the following statements are true or false.

False 1. Managerial accountants have a single role within an organization: collecting and reporting costs to management.

True 2. Financial accounting reports are general-purpose and intended for external users.

True 3. Managerial accounting reports are special-purpose and issued as frequently as needed.

DO IT

Indicate whether the following statements are true or false.

False 4. Managerial accounting information is reported to those outside users budgeting, and internal control.

False 5. Managerial accounting reports must now comply with accounting standards.

Managerial Cost Concepts

Managers should ask questions such as the following.

1. What costs are involved in making a product or providing a service?
2. If we decrease production volume, will costs decrease?
3. What impact will automation have on total costs?
4. How can we best control costs?

Required Textbook:

Managerial Accounting (3rd Custom Ed. for Athabasca University). (2021).

Topics:

- Cost Behavior and Analysis
- Cost Management Systems
- Relevant Information and Special Decision Making
- Basic Principles of Financial Accounting
- Interpreting Financial Statements
- The Budgeting Process and Standard Cost System
- Capital Investments and Capital Budgeting
- Performance Evaluation and the Balanced Scorecard

Module Learning Outcomes:

- **Demonstrate understanding of the roles, responsibilities and ethical considerations of management accountants within an organization.**
- **Identify and appropriately use management accounting terminology and concepts, especially regarding costs in business organizations.**
- **Perform a variety of financial and non-financial calculations in order to prepare schedules, statements and reports used in management accounting.**



Thank You