



مجموعة جامعة
الجميع الذكية
للتعليم القابضة

MIDOCEAN
UNIVERSITY

Accounting for Managers

Prepared by Dr. Sara Ahmed

MGM 341

Lecture 1- Chapter 1



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Chapter 1: Introduction to Managerial Accounting

Lecture 2

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www.esu.ac.ae

Chapter
01

Learning Objectives

- Identify the managers' three primary responsibilities
- Distinguish between Managerial Accounting and Financial Accounting
- Describe the roles and skills required of management accountants within the organization
- Discuss the business trends and regulations affecting management accounting

What is Managerial Accounting?

- ❑ Management accounting also is known as managerial accounting and can be defined as a process of providing financial information and resources to the managers in decision making.
- ❑ Managerial accounting, also called management accounting, is a method of accounting that creates statements, reports, and documents that help management in making better decisions related to their business' performance.

- ❑ Managerial accounting is the process of “identification, measurement, analysis, and interpretation of accounting information” that helps business leaders make sound financial decisions and efficiently manage their daily operations.
- ❖ Managerial accounting differs from financial accounting because the intended purpose of managerial accounting is to assist users internal to the company in making well-informed business decisions.

Managerial Accounting: Key Takeaways

- Managerial accounting involves the presentation of financial information for internal purposes to be used by management in making key business decisions.
- Techniques used by managerial accountants are not dictated by accounting standards, unlike financial accounting.
- The presentation of managerial accounting data can be modified to meet the specific needs of its end-user.

- Managerial accounting encompasses many facets of accounting, including product costing, budgeting, forecasting, and various financial analysis.
- This differs from financial accounting, which produces and disseminates official financial statements for public consumption that conform to prevailing accounting standards.

Managers' Three Primary Responsibilities of Decision Making

Planning

Directing

Controlling



Planning

Establish Goals.

Specify How Goals
Will Be Achieved.

Develop Budgets.



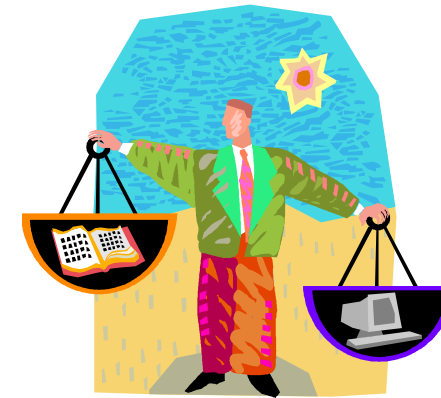
The control function gathers feedback to ensure that plans are being followed.

Feedback in the form of performance reports that compare actual results with the budget are an essential part of the control function.



Decision Making

Decision making involves making a selection among competing alternatives.



What should we be selling?

Who should we be serving?

How should we execute?

Managerial Accounting Activities: Marketing Majors

Planning

How much should we budget for TV,
print, and internet advertising?

How many salespeople should we
plan to hire to serve a new territory?



Managerial Accounting Activities: Marketing Majors

Controlling

Is the budgeted price cut increasing
unit sales as expected?

Are we accumulating too much
inventory during the holiday
shopping season?



Managerial Accounting Activities: Marketing Majors

Decision Making

Should we sell our services as one bundle or sell them separately?

Should we sell directly to customers or use a distributor?



Managerial Accounting Activities: Supply Chain Management Majors

Planning

How many units should we plan to produce next period?

How much should we budget for next period's utility expense?



Managerial Accounting Activities: Supply Chain Management Majors

Controlling

Did we spend more or less than expected for the units we actually produced?

Are we achieving our goal of reducing the number of defective units produced?



Managerial Accounting Activities: Supply Chain Management Majors

Decision Making

Should we transfer production of a component part to an overseas supplier?

Should we redesign our manufacturing process to lower inventory levels?



Managerial Accounting Activities: Human Resource Management Majors

Planning

How much should we plan to spend
for occupational safety training?

How much should we plan to spend
on employee recruitment
advertising?



Managerial Accounting Activities: Human Resource Management Majors

Controlling

Is our employee retention rate exceeding our goals?

Are we meeting our goal of completing timely performance appraisals?



Managerial Accounting Activities: Human Resource Management Majors

Decision Making

Should we hire an on-site medical staff to lower our healthcare costs?

Should we hire temporary workers or full-time employees?



Managerial Accounting Activities: Human Resource Management Majors

Decision Making

Should we hire an on-site medical staff to lower our healthcare costs?

Should we hire temporary workers or full-time employees?



Managerial Accounting Basics

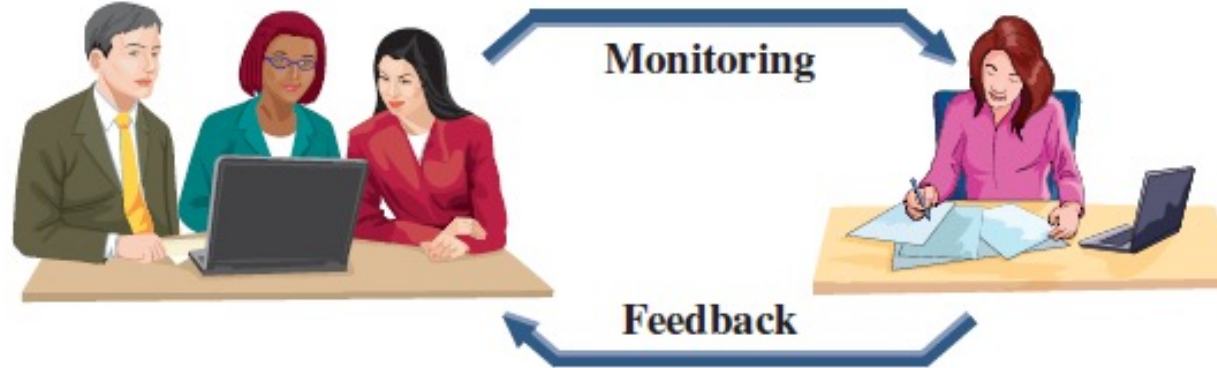
Managerial accounting provides financial and nonfinancial information for managers of an organization and other decision makers.

Calculation of unit cost: Purposes of Cost Classification

1. Assigning costs to cost objects
2. Accounting for costs in manufacturing companies
3. Preparing financial statements
4. Predicting cost behavior in response to changes in activity
5. Making decisions

Managers' Three Primary Responsibilities of Decision Making

Purpose of Managerial Accounting



Planning

- Develop new products?
- Expand into new markets?
- Build a new factory?

Control

- Are costs too high?
- Are services profitable?
- Are customers satisfied?

Needs of Management

- **Financial accounting** is concerned with reporting financial information to external parties, such as stockholders, creditors, and regulators.
- **Managerial accounting** is concerned with providing information to managers within an organization so that they can formulate plans, control operations, and make decisions.

Financial and Managerial Accounting: Key Differences

	Financial Accounting	Managerial Accounting
1. Users	External persons who make financial decisions	Managers who plan for and control an organization
2. Time focus	Historical perspective	Future emphasis
3. Verifiability versus relevance	Emphasis on objectivity and verifiability	Emphasis on relevance
4. Precision versus timeliness	Emphasis on precision	Emphasis on timeliness
5. Subject	Primary focus is on companywide reports	Focus on segment reports
6. Rules	Must follow GAAP / IFRS and prescribed formats	Not bound by GAAP / IFRS or any prescribed format
7. Requirement	Mandatory for external reports	Not Mandatory

Nature of Managerial Accounting

	Financial Accounting	Managerial Accounting
1. Users and decision makers	External: Investors, creditors, and others outside of the organization's managers	Internal: Managers, employees, and decision makers inside the organization
2. Purpose of information	Help external users make investment, credit, and other decisions	Help managers make planning and control decisions
3. Flexibility of reporting	Structured and often controlled by GAAP	Relatively flexible (no GAAP constraints)
4. Timeliness of information	Often available only after an audit	Available quickly without an audit
5. Time dimension	The past; historical information with some predictions	The future; many projections and estimates, with some historical information
6. Focus of information	The whole organization	An organization's projects, processes, and divisions
7. Nature of information	Monetary information	Mostly monetary; some nonmonetary

Managerial accounting information is used in many careers:

- Marketing staff need sales and cost data to decide which products to promote.
- Management needs sales force details to evaluate performance.
- Entrepreneurs use costs, budgets, and financial statements.
- Nonbusiness majors use accounting information as their careers advance.

Management Accountants' Roles and Skills

The primary purpose of this course is to teach measurement skills that managers use to support planning, controlling, and decision-making activities.

Planning

Controlling

Decision Making

Measurement
skills help
managers
answer
important
questions.

What net income should my company report to its stockholders?

Measure and report historical data that complies with applicable rules.

How will my company serve its customers?

Measure and analyze mostly non-financial, process-oriented data.

Will my company need to borrow money?

Measure and analyze estimated future cash flows.

The Institute of Management Accountant's (IMA) Statement of Ethical Professional Practice provides guidelines for ethical behavior.

Recognize and communicate professional limitations that preclude responsible judgment.

Maintain professional competence.

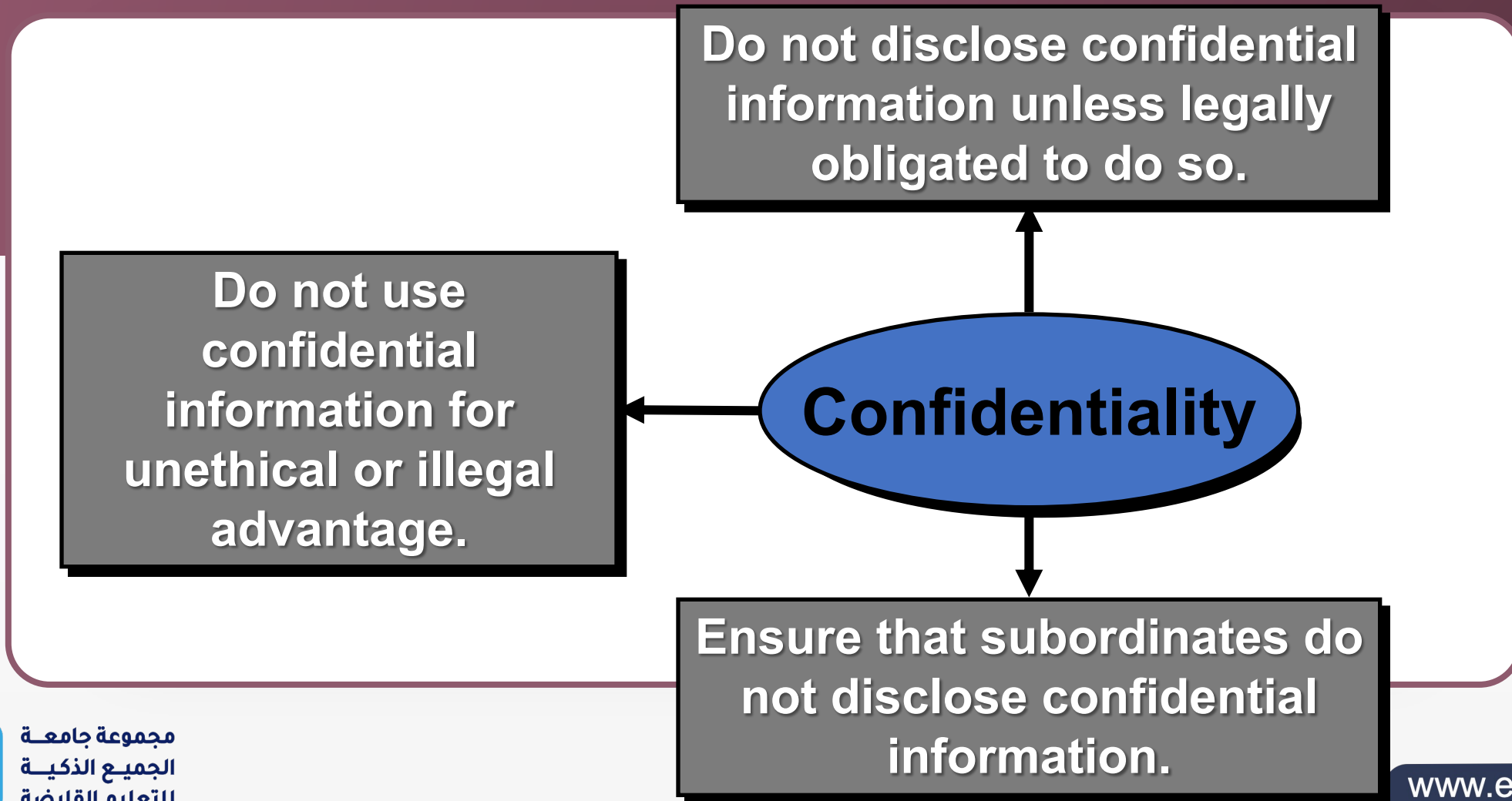
Competence

Follow applicable laws, regulations, and standards.

Provide accurate, clear, concise, and timely decision support information.

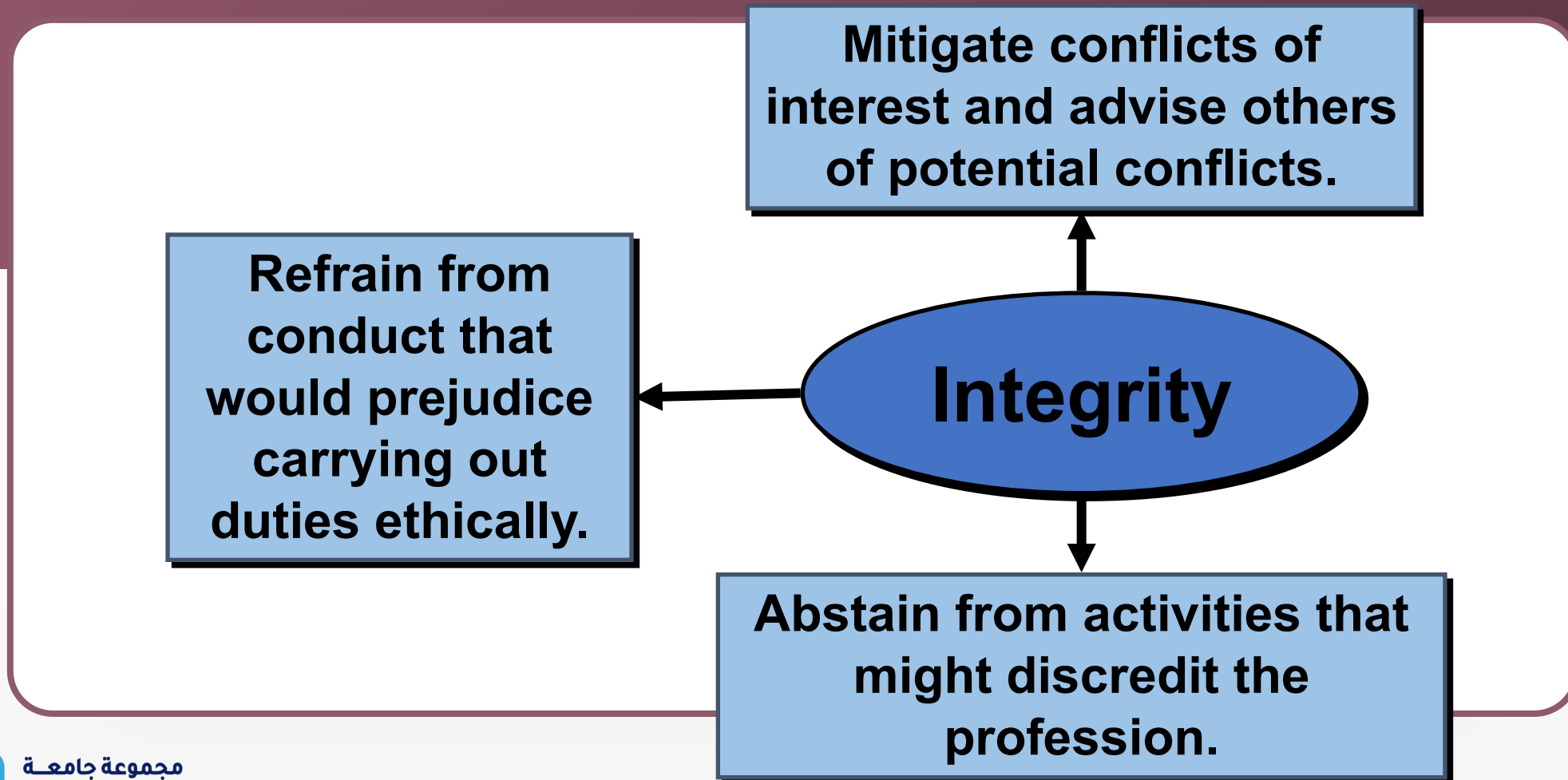
Professional Ethics

IMA Guidelines for Ethical Behavior



Professional Ethics

IMA Guidelines for Ethical Behavior



Professional Ethics

IMA Guidelines for Ethical Behavior

Communicate information fairly and objectively.

Credibility

Disclose delays or deficiencies in information timeliness, processing, or internal controls.

Disclose all relevant information that could influence a user's understanding of reports and recommendations.

IMA Guidelines for Resolution of an Ethical Conflict

Follow employer's established policies.

If this does not work, consider the following:



Discuss the conflict with immediate supervisor or next highest uninvolved managerial level.

If immediate supervisor is the CEO, consider the board of directors or the audit committee.

Contact with levels above the immediate supervisor should only be initiated with the supervisor's knowledge, assuming the supervisor is not involved.

IMA Guidelines for Resolution of an Ethical Conflict

If following employer's established policies for conflict resolution do not work, consider these additional practices:

Except where legally prescribed, maintain confidentiality.

Clarify issues in a confidential discussion with an objective advisor.

Consult an attorney as to legal obligations.



Why have Ethical Standards

Ethical standards in business are essential for a smooth functioning economy.

Without ethical standards in business, the economy, and all of us who depend on it for jobs, goods, and services, would suffer.

Abandoning ethical standards in business would lead to a lower quality of life with less desirable goods and services at higher prices.

Management accounting can be viewed as _____.

- A. Marketing-oriented Accounting
- B. **Management-oriented Accounting**
- C. Accounting-oriented Management
- D. Manager-oriented Accounting

_____ is the language of Business which used to communicate financial information.

- A. Accounting
- B. Marketing
- C. Profit
- D. Pricing

_____ the sub-field of accounting.

- A. Management accounting
- B. Cost accounting
- C. Financial accounting
- D. All of the above

The main objective of management accounting is _____

- A. To maintain the accounting records
- B. To know the amount due from customers and suppliers
- C. To ascertain analyse and interpret the results of business operations
- D. To record all the business transactions

_____ is the study of managerial aspects
of financial accounting

- A. Cost accounting
- B. Financial accounting
- C. **Management accounting**
- D. Business accounting

The purpose of management accounting is to help
_____ make decisions

- A. managers
- B. investors
- C. marketers
- D. banks

Managerial accounting information is generally prepared for _____

- A. managers
- B. stakeholders
- C. government agencies
- D. competitors

The primary task of management accounting is, therefore, to redesign the entire accounting system so that it may serve the _____ needs of the firm.

A. Marketing

B. Operational

C. Human resource

D. Production

Management accounting provides information to management so that planning organizing directing and controlling of business operations can be done in an orderly manner.

- A. controlling planning and directing
- B. Planning controlling directing
- C. **Planning directing controlling**
- D. planning directing controlling

Management accounting assists the management in_____

A. planning

B. directing

C. Controlling

D. All of the above



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Thank You

