# DOWNLOAD PDF INTRODUCTION TO MANAGEMENT ACCOUNTING NOTES

## Chapter 1 : Minute Introduction to Management Accounting â€“ www.nxgvision.com

*Introduction to management accounting () Nature and scope of management accounting Definition of management accounting: Wilson and Chua "Encompassing techniques and processes that are intended to provide financial and non-financial information to people within an organisation to make better decisions and thereby achieve organisational control and enhance organisational.*

Any form of accounting which enables a business to conduct more efficiently can be regarded as Management Accounting. American Accounting Association defines management accounting as: Management Accounting includes the methods and concepts necessary for effective planning, for choosing among alternative business actions, and for control through the evaluation and interpretation of performance. Characteristics of Management Accounting Management accounting provides data to the management on the basis of which they take decisions to achieve organizational goals and improve their efficiency. In this section, we will discuss the main characteristics of management accounting. To Provide Accounting Information Information is collected and classified by the financial accounting department, and presented in a way that suits managerial needs to review the various policy decisions of an organization. Cause and Effect Analysis One step further from financial accounting, management accounting works to know the reasons of profit or loss of an organization. It works to find out the causes for loss and also study the factors which influence the profitability. Therefore, cause and effect is a feature of management accounting. Special Technique and Concepts Budgetary control, marginal costing, standard costing are main techniques used in financial accounting for successful financial planning and analysis, and to make financial data more useful. Decision Making Studying various alternative decisions, studying impact of financial data on future, supplying useful data to management, helping management to take decisions is a part of management accounting. Achieving Tasks Financial data is used to set targets of the company and to achieve them. Corrective measures are used if there is any deviation in actual and targeted task. This all is done through management accounting with the help of budgetary control and standard costing. No Fixed Norms No doubt, tools of management accounting are same, but at the same time; uses of these tools depend upon need, size, and structure of any organization. Thus, no fix norms are used in application of management accounting. On the other hand, financial accounting totally depends on certain rules and principals. Therefore, presentation and analysis of accounting data may vary from one organization to another. Increasing Efficiency While evaluating the performance of each department of an organization, management accounting can spot the efficient and inefficient sections of an organization. With the help of that, corrective step can be taken to rectify the inefficient part for better performance. Hence, we can say that efficiency of a concern can increase using accounting information. Informative Instead of Decision Making Decisions are taken only by top management using information provided by management accountant as classified in a manner which is useful in decision making. Decision making does not come under preview of accountant, it is only the top management, who can take decision. Thus, decision of an organization depends on caliber and efficiency of the management. Forecasting Management accountant helps management in future planning and forecasting using historical accounting data. Objectives of Management Accounting Let us go through the objectives of management accounting: Planning and Formulating Policies In the process of planning and formulating policies, a management accountant provides necessary and relevant information to achieve the targets of the company. Management accounting uses regression analysis and time series analysis as forecasting techniques. Controlling Performance In order to assure effective control, various techniques are used by a management accountant such as budgetary control, standard costing, management audit, etc. Management accounting provides a proper managerial control system to the management. Reports are provided to the management regarding the effective and efficient use of resources. Interpreting Financial Statement Collecting accounting data and analyzing the same is a key role of management accounting. Management accounting provides relevant information in a systematic way that can be used by the management in planning and decision-making. Cash flow, fund flow, ratio analysis, trend analysis, and comparative financial statements are the tools normally used in management accounting to interpret and analyze accounting data. Motivating Employees Management accounting provides a selection of best alternative methods of doing things. It motivates employees to improve their performance by setting targets and starting incentive schemes. Making Decisions Success of any organization depends upon accurate decision-making and effective decision-making is based on informational network as provided by management accounting. Applying techniques of differential costing, absorption costing, marginal costing, and management accounting provides useful data to the management to aid in their decision-making. Reporting to Management It is the primary role of management accounting to inform and advice the management about the latest position of the company. It covers information about the performance of various departments on regular basis to the management which is helpful in taking timely decisions. A management accountant also works in the capacity of an advisory to overcome any existing financial or other problems of an organization. Coordinating among Departments Management accounting is helpful in coordinating the departments of an organization by applying thorough functional budgeting and providing reports for the same to the management on a regular basis. Administrating Tax Any organization must comply with the tax systems prevailing in the country they are operating from. It is a challenge due to the ever-increasing complexity of the tax structure. Organization need to file various kinds of returns with different tax authorities. They need to calculate the correct amount of tax and assure timely deposit of tax. Therefore, the management takes guidance from management accountants to comply with the law of the land.

## Chapter 2 : ACCA F2 Accounting for Management, ACCA F2 Lectures

*Management Accounting may be simply defined as tools and techniques that provides accounting information to carry out management activities such as planning, controlling, evaluating and decision making.*

Study Notes on Cost Accounting Article shared by: Compilations of study notes from different chapters of cost accounting! The below given notes will help you for prepare for various competitive examination. If you are preparing for Civil Service Examination, these notes will definitely help you to get an overall idea about the subject. Notes on Cost and Cost Accounting: Costs may be ascertained: In the light of the above definitions we may define Cost Accounting as a process or mechanism by means of which costs of products and services are ascertained with a reasonable degree of accuracy. In a broader view, cost accounting is concerned with the field of responsibility for advising the management in both historical and future costs and, thereby, helping managerial planning, control and decision making. It provides the management with a variety of information to plan, control and make decisions. The following table gives us the examples of the information provided by a typical costing system and how it is used for different purposes by the management. The examples provided by the table are not exhaustive. The usefulness of costing information is enhanced when the actual results and costs are compared with some target or standard figure. Need for Cost Accounting: The following are the purposes of Cost Accounting: To provide information with the supply of cost data upon which estimates and tenders are based. It provides the scope for price adjustment to meet market conditions, so as to ensure that no orders for supply of products are lost. It is used as a management tool to indicate to the management inefficiencies of various departments, plants and machinery. The managementâ€”through cost analysisâ€”can identify the weak areas of operations and can take proper and prompt action and, thus, can lead the business unit to its desired goal. It provides data to the management for the preparation of budgets and standard costs. An analysis of variances between budgeted figures and actuals or standard and actuals throw light on the weak areas of business operations and guides the management in taking corrective action to remove the unfavorable cost variances. It is used to provide data for the preparation of periodical Profit and Loss Account and Balance Sheet at such intervals as may be desired. It also provides a perpetual inventory of stores and other materials, so that interim financial statements can be prepared without stock taking. So, an important objective of cost accounting is the creation of useful cost data and information for the purpose of planning and control. They influence and facilitate both shortâ€” and long-run decisions. Cost accounting provides for a basis for operating policies like: Thus, there is a direct relationship between information needs of management, cost accounting objectives, and techniques and tools used for the analysis. Financial Accounting and Cost Accounting: Financial Accounting is concerned with historical cost. It presents income statements showing the financial result of the business for a particular financial year and a Balance Sheet on a specific date to exhibit the state of affairs of a business unit. It fails to throw light on the aspects of planning, control and decision making. For these purposes, we need Cost Accounting. To achieve the above objectives Cost Accounting records business expenditures in an objective manner, i. Cost Accounting and Management: Cost Accounting provides useful data to management for taking managerial decisions in the following areas: In doing so, cost accounting performs the following tasks: This facilitates comparison of costs of one period with those relating to a different period in order to evaluate the operating efficiency of each division or segment or product. In every type of cost accounting, materials and supplies are accounted forâ€”in terms of departments and processes. A rational and scientific system of receiving, handling and issuing materials is strictly observed. The perpetual inventory method is used to control properly the materials in stores. Control of raw materials and of parts follows production until goods are completed. Control of Wages and Salaries: Labour cost is controlled through proper accounting for labour by jobs and by operations. In many manufacturing concerns, daily summary reports are prepared to show the number of hours and wage rate for each worker, per job or operation. In cost accounting, costs are classified into direct and indirect items, indirect costs are generally termed as overheads. This classification allows the cost accountant to concentrate his attention on those costs which can be reduced or eliminated. In many industries higher costs and lower profits arise due to seasonal changes in activities. The cost accountant may make an attempt to alleviate the situation by presenting figures showing costs and losses that result from irregular employment of labour, plant and machinery. The cost reports can exhibit the idle time of workers and machinery, cost of storing raw materials and finished products, unabsorbed overhead costs and general decay in the morale of personnel that result from subnormal operations. The use of budgetary control combined with cost accounting may go a long way to bring about stability in industrial activity which will ultimately benefit the shareholders, employers and the society at large. Moreover, the management has to adopt policies to face the ever growing competition, to develop new markets for its products. The cost accountant is required to investigate and to prepare reports to keep the management abreast of the relative advantages and profitability of one policy as compared to others. Participation of cost accounting in the formulation and execution of budgets and standards: Cost information for managerial decision making and planning is the most important justification of a sound cost accounting system. The following diagram shows the accounting cycle by which information reaches the decision makers: The use of budget helps the management to correct inefficiencies. It helps to identify the weak areas by making a comparative study of estimated figures with the actuals. Variances are studied carefully and corrective measures are taken in time to avoid wastage and losses. We may now conclude that cost accounting is so closely linked with management that it becomes difficult to indicate where the work of the cost accountant ends and managerial control begins. In brief, it may be said that: Notes on Management Accountancy in Relation to Cost: It includes the methods and concepts necessary for effective planning for choosing among alternative business actions and for control through the evaluation and interpretation of performance. Management Accounting embraces both Financial and Cost Accounting. Management Accounting emphasizes the preparation of reports of an organisation, for its internal users such as Board of Directors, Managing Director and for other top level management for the formulation of business policies. Thus, management accounting reports attempt to fill the information needs of managers with respect to a specific problem, situation, or decision. Management Accounting is generally indistinguishable from Cost Accounting. They are closely linked as both of them use common basic data and reports. Cost Accounting largely uses data about production, sales, wages, overheads. Management Accounting uses the same data to prepare budgets, performance reports, control reports for making decisions in different areas. Gray and Ricketts establish the relationship of Management Accounting with Cost Accounting in the following language: This represents the use of cost accounting data to develop managerial accounting data for planning decisions. This represents the use of cost accounting data to develop managerial accounting data for control decisions. There is an intimate relationship between Cost Accounting and Management Accounting. Management Accounting communicates various information useful to the management for making decisions for the efficient running of the business. For this purpose, management accounting uses various techniques which include standard costing, marginal costing, uniform costing, budgetary control, break even and cost benefit analysis. In fact, management accounting is an extension of the managerial aspects of cost accounting; it utilizes the principles and practices of both cost accounting and financial accounting in the best interests of the business. Financial Accounting determines the financial results for a period and the state of affairs on the last day of the period. From this point of view financial accounting may be treated as Stewardship Accounting. Cost Accounting, on the other hand, generates information for controlling operations with a view to maximising efficiency and profit. So, it may be termed as Control Accounting. Since Management Accounting communicates necessary information to the management for efficient running of the business, it is known as Decision Accounting. Notes on Prerequisites of Costing System: The objectives for which the costing system is installed are to be determined. In fact, if the objectives are not predetermined and well defined, the costing system will fail to accomplish the desired goal. A close study of the size, layout and nature of the business is very much essential to design the costing system. The choice of method of costing largely depends upon the nature of the business. Every costing system should follow the production stages because the cost at each stage of production is to be determined. The costing system should be designed in a way so that it can determine the cost at each significant stage. The organizational set up of the business is to be closely studied. The methods of purchase, receipt of materials, issue and storage of materials should be examined and changes, if required, are to be made so that these departments can feed the costing department with the supply of accurate cost data. The maximum amount of required information should flow to the system. The system to be introduced should be simple and easy to operate. For this, form and records of original entry should be designed in such a way as to minimise clerical work and expenditure. The cost of the system to be installed should be considered. It should be kept in mind that the installation and operation of the system should be economic. Various departments that are involved in the system should be well coordinated so that they can function harmoniously and with a sense of cooperation to make the system effective. The benefits that accrue from the system should be explained to various persons concerned and the sense of awareness should be created. The system should be so designed that cost control can effectively be exercised. The costing system should incorporate a suitable procedure for communicating required information with promptness to the various levels of management for making appropriate decisions. The cost and financial accounts could be interlocked into a single integral accounting system.

## Chapter 3 : Introduction to Accounting

*Cost Management & Cost Control Use the information provided below to prepare the Cost of Good Manufactured Schedule:Bravo had the following costs as of Green shaded cells Cost Information for decision making.*

These are known as performance indicators. Some of the performance indicators that can be used by the firm are as follows. This parameter is used to measure company performance when some changes are bring in an organization that directly affects company sales Ying, and Zhengfei, If revenue of the firm elevate then it can be said that measures that were implemented by the firm are giving fruitful results. Profitability- Some times firm management apply cost curtail techniques in an organization in order to reduce their cost of production. Hence, profit of the firm get increase because sales price of the product remain same even cost of the production is reduced by the firm. Objectives- It is another performance indicator that is used by the firms in order measure extent to which improvements happened in the specific variable. If these objectives are achieved then it is assumed that firm is performing better or vice verse. In this regard firm will need to make heavy capital expenditure. But in long term company cost of production will fall sharply. Hence, it can be said that this measure of cost curtailment is dearer in nature. By innovating production process quality of the product is also improved. By adding something new and replacing old techniques of production quality of produced units can be improved to large extent. Many times an organization cover a large area in order to reach destination place. This lead to increase in transportation cost. Hence, by using this technique transportation cost can be reduced to large extent. All these things enhance value of the product because by innovating production process cost of production is reduced for the firm and quality of product is also improved. Hence, this enhance value of the product. The entire process of budget preparation is unique in nature. Below budget process is presented and its nature is also reflected in this process. Determination of standards- At this stage standards for the budget are determined by the managers. In this regard standards are determined using various sort of information. In this regard past data is analyzed and it is identified that objectives were achieved or not. Of not achieved then what was the reasons behind non achievement of the objectives. By doing this management gets a valuable insights about determination of standards. On other hand, managers evaluate current business environment and identify current trends on same. Now after that managers compare current business environment trends with those that were earlier. At that time objectives were achieved or not is also identified Jorion, If not then probable reasons are searched that are already identified in this stage. On basis of such comparison managers set a standards that are challenging and achievable in nature. This is major nature of budget. Measurement of performance- In this stage performance of the firm is measured in a specific manner. This may be measured in terms of sales or profit. On individual basis number on units sold by salesman may also be a measure of performance. Hence, company to company these ways of measurement may change. This is important nature of budget. Identification of variance- In this stage by comparing actual with budgeted performance variance e is identified by the managers. These variance is communicated at all levels of the management on individual basis Evetts, Company level variance is communicated by the middle level managers to the top level managers. Hence, in this process all levels of the management interact with each other and this is nature of budget. Purpose of budget Purpose of budget is to make sure that all expenses are made in line to expectations and no extravagance is made in this regard. The other main purpose of the budget is to ensure that scarcely available resource that is money is utilized in most effective way Eldenburg and Wolcott, By doing this firm makes best utilization of the available resources and also control its cost of production. This lead to increase in profit of the firm. Incremental budgeting- In this method of budgeting current year sales and revenue figures are taken in to consideration by the firm. Means that firm collects a data about its current year sales. On the basis of these trends percentage change in sales, profit and cost is identified by the firm Guthrie, That percentage change is calculated by using current figures and added to them in order to draft budget for the next fiscal year. Zero based budgeting- In this way if budgeting old values are not used. Budget is prepared by identifying all activities of the business. Then resources are allocated to these activities in order to create a budget. Values of these resources are estimated and by using these value is budget is prepared. But this technique is often not used by the firm because there is a high chances of inclusion of unrealistic values in the budget. Top down budgeting- In this method, first of all higher cost factors are determined in the budget at first stage. Then lower cost factors are envisaged on the basis of higher level task cost Mongiello, M. In this regard top and middle level managers consult with each other. Thus, this budget is known as top down budgeting. In this regard budgets and variance analysis can be used by the firm. By using these techniques on time management can identify that it is performing well or not. By formulating strategies on time it can improve its performance for upcoming months. Management must analyze business environment deeply in order to prepare budget in proper manner. If this will not be done then management will not be in position to make proper estimation about the budget components. Hence, control will be ineffective. Dynamic capabilities as antecedents of the scope of related diversification: Strategic Management Journal, 29 8 , pp. Management and cost accounting. Measuring, monitoring, and motivating performance. Current sociology, 59 4 , pp.

## Chapter 4 : Lecture Notes | Financial Accounting | Sloan School of Management | MIT OpenCourseWare

*Introduction to management accounting Welcome to the world of management accounting! In this introductory chapter, we examine the role of management accounting within a business.*

Accounting Environment, Decision Making, and Theory In this introductory unit of the course, you will learn about a variety of the foundational elements of accounting that are crucial to the understanding of the material in this course. To understand financial accounting, you will need an in-depth understanding of the four basic financial statements and the purpose they each serve. You will also need to understand how data is captured and transformed into information and how the accounting equation seeks to ensure that you are properly recording the data. Throughout the course you will be introduced to various career fields and employment positions associated with the concepts of this course. Consider this information an exploration of the viability of accounting as an employment option and as a means of reinforcing how significant these concepts are to the success of business operations. Completing this unit should take you approximately 11 hours. Recording Business Transactions This unit of the course correlates with Chapter 3 of the primary text. There is a specific way that data is recorded, so a foundational understanding of this process is necessary. Completing this unit should take you approximately 6 hours. Adjustments for Financial Reporting By now, you should have a foundational understanding of accounting and its guiding principles and concepts. You will now need to learn how to synthesize this information, which often requires an adjusting journal entry. Before you can learn about adjusting entries, you will need to be able to distinguish between cash- and accrual-based accounting. There is some distinction between the two methods, and while some smaller business may be able to effectively use a cash basis of accounting, most organizations use an accrual basis of accounting. Subsequently, the accrual basis is the foundation on which you are learning the concepts presented in this course. Completing this unit should take you approximately 3 hours. Completing the Accounting Cycle Up until this point in the course, you have been learning how to take the transactions that happen within a business entity and process this raw data into useable information. As mentioned earlier in the course, this useable information comes in the form of the financial statements. This section of the course will explain how to review and summarize the accounting cycle, as well as prepare the income statement, the statement of retained earnings, and the balance sheet. Additionally, you will be provided with insight on how to use an accounting worksheet to organize your work, prepare adjusting entries, and complete a post- closing trial balance. Financial Reporting and Financial Statement Analysis In this unit, you will learn about financial reporting and examine the financial statements of a public company. Public companies are required to file their financial statements with the SEC on a quarterly and annual basis. Fortunately for us, the SEC has a standard format for presenting financial information. This assists us in reading and interpreting financial information. Completing this unit should take you approximately 5 hours. Accounting for Inventory â€” Measuring and Reporting In order for many businesses to conduct daily activity, they will have to buy merchandise for their end users. There are a number of ways to account for the purchasing and integration of this merchandise within a business, and the decision on how a business entity will account for this from an accounting perspective rests on a number of factors. Choosing an inventory valuation method is a major decision a merchandising business entity will have to make even before the merchandise is purchased; it is also a decision that dictates the valuation of the merchandise on hand within the business entity. Completing this unit should take you approximately 7 hours. Receivables and Payables Identified During the course of regular business, it is not uncommon to provide credit to some customers. Once a business provides an extension of credit, it now owns a promise that it will be paid back. As part of this agreement, the business entity will charge interest at varying rates, which are typically imposed based on the credit worthiness of the customer. It is also not uncommon that the business will not be able to collect some of these credit extensions. In accounting, we identify these promises someone makes to a business entity as an accounts receivable. This section of the course will provide analysis and insight on accounts receivables and highlight specific information on what to do when a business extends credit to its customers. Also, during the regular course of business, there may come times where the business entity needs to make specific purchases to support the regular business activity, but they do not have enough cash on hand to meet these demands from a current asset perspective. In these types of situations, it is viable for a business entity to possess lines of credit. In this type of situation, the business entity has created a promise to pay someone else as a result of being extended a particular line of credit or goods on credit. These types of transactions would be considered payables and would in fact create liabilities for the organization. Please remember that earlier in the course, you were introduced to the fact that a liability can also be considered a promise to pay. Accounting for Property, Plant, and Equipment Property, plant, and equipment require the largest amount of investment for a company. This unit introduces you to the life cycle of tangible long-term assets: This unit also includes other long-term assets such as natural resources and intangible assets. Companies such as mines and lumber companies account for the resources that are extracted from the environment. The most common intangible asset is goodwill, which is recorded when acquiring a company. Completing this unit should take you approximately 4 hours. In order to finance long-term assets, companies issue long-term debt in the form of bonds. Equity is most often issued when companies begin operations to raise startup capital. Principles of Finance , you may learn more about the balance between debt and equity in a company. Completing this unit should take you approximately 8 hours. Statement of Cash Flows Remember that the balance sheet and income statement are prepared using the accrual basis of accounting. The statement of cash flows is prepared using information from the accrual basis statements to tell what cash was received for and how cash was spent. The statement of cash flows classifies business transactions in to operating activities, investing activities, and financing activities. Study Guides and Review Exercises Note: These study guides are intended to help reinforce key concepts in each unit in preparation for the final exam. Each unit study guide aligns with course outcomes and provides a summary of the core competencies and a list of vocabulary terms. This study guide is not meant to replace the readings and videos that make up the course. The vocabulary lists include 1 some terms that might help you answer some of the review items and 2 some terms you should be familiar with to be successful in completing the final exam for the course.

## Chapter 5 : Lecture Notes | Financial Accounting | Sloan School of Management | MIT OpenCourseWare

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## Chapter 6 : Introduction to Managerial Accounting

*Financial accounting is a useful tool to management and to external users such as shareholders, potential owners, creditors, customers, employees and government. It.*

## Chapter 7 : Course: BUS Introduction to Financial Accounting

*Managerial accounting relates to reporting internal to an organization, and is far less structured than the rules-based system applicable to financial (external) reporting. Chapter 17 is an introduction to managerial accounting.*

## Chapter 8 : Editions of Introduction to Management Accounting by Charles T. Horngren

*Introduction to Accounting Accounting is the language of business. It is the system of recording, summarizing, and analyzing an economic entity's financial transactions.*

## Chapter 9 : Free Management Accounting Assignment Sample for students

*Introduction to Accounting I Lecture Notes Page 18 of 25 Carry the amounts from the Adjusted Trial Balance to the Income Statement and the Balance Sheet (only Assets, Liabilities, and Owner's Equity.) The difference will be either a NET LOSS or NET INCOME.*