

# MANAGEMENT ACCOUNTING

**Presented By**

***Prof. A. NILOFER***

***ASSISTANT PROFESSOR OF COMMERCE***

***JAMAL MOHAMED COLLEGE (AUTONOMOUS)***

***TRICHY-8***

# \* Management Accounting - Introduction

The term 'management Accounting' refers to accounting for the management i.e., accounting which provides necessary information to the management for discharging its functions. Management Accounting is the presentation of accounting information in such a way as to assist management in the creation of policy and in the day-to-day operation of undertaking.

Management Accounting is comprised of two words 'Management' and 'Accounting'. It is the study of managerial aspect of accounting. The emphasis of management accounting is to redesign accounting in such a way that it is helpful to the management in formation of policy, control of execution and appreciation of effectiveness.

# \* DEFINITIONS OF MANAGEMENT ACCOUNTING

Institute of Chartered Accountants of England and Wales defined management accounting as “any form of accounting which enables a business to be conducted more efficiently can be regarded as Management accounting”.

The Report of the Anglo-American Council of Productivity has also given a definition of management accounting, which has been widely accepted. According to it, "Management accounting is the presentation of accounting information in such a way as to assist the management in creation of policy and the day to day operation of an undertaking".

# \* OBJECTIVES OF MANAGEMENT ACCOUNTING

- Assistance in Planning and Formulation of Future Policies
- Helps in the Interpretation of Financial Information
- Helps in Controlling Performance
- Helps in Organizing
- Helps in the Solution of Strategic Business Problems
- Helps in Coordinating Operations
- Helps in Motivating Employees
- Helps in Tax Administration
- Communicating Up-to-date Information

# \* FUNCTIONS OF MANAGEMENT ACCOUNTING

## 1. Planning

The management can prepare the plan and execute the same for effective operation of business.

## 2. Controlling

The actual performance of every business activity is measured and compared with the standard fixed or planned one.

## 3. Service to Customers

Better and improved services by management to customers are assured by this system of accounting.

## 4. Organizing

The scope of authority and responsibility of key executives are properly defined and explained under management accounting system.

# \* FUNCTIONS OF MANAGEMENT ACCOUNTING

## 5. Coordinating

It is the process of integrating the various work performed in an organization to achieve the objectives effectively. Thus, perfect coordination is required for among production, purchase, finance, personnel, sales and the like departments. This is achieved through preparing budgets and reports of performance.

## 6. Improvement of Efficiency

The management accounting system may eliminate various types of wastage, production, defectives and other work thereby the workers efficiency may be improved.

## 7. Motivating morale among the employees.

The reports of business operation are periodically prepared and submitted before the top management periodically.

# \* FUNCTIONS OF MANAGEMENT ACCOUNTING

## **8. Communication**

Two way communication is followed in an organization if management accounting system is followed.

## **9. Regulation of Business Activities**

Proper planning, organizing, coordination and motivation can bring systematic regularity in the business activities.

## **10. Maximization of Profit**

There is a morale among the employees. Standards are fixed and measure the actual performance to find the deviations.

## **11. Reliability**

The tools used in management accounting system are reliable.

## \* LIMITATIONS OF MANAGEMENT ACCOUNTING

1. **Limitations of basic records:** depends upon the strength and weakness of these basic records.
2. **Persistent efforts.** The conclusions drawn by the management accountant are not executed automatically.
3. **Management accounting is only a tool:** Management accountant is only an adviser to the management.
4. **Wide scope:** It considers both monetary as well as non-monetary factors.
5. **Top-heavy structure:** only by big concerns.
6. **Opposition to change:**
7. **Evolutionary stage:** Management accounting is still in its initial stage.



S.No.	Management Accounting	Financial Accounting
1	Only used for internal purposes of the firm	For external reporting to various stakeholders and mandatory by law in most cases
2	Is not under the regulation of any law or regulations	Is governed by Standards, Laws, regulations, etc

\*THANK YOU