

# Why managerial accounting is important flashcard

[Profession](#), [Manager](#)



Chapter 1 Lecture Notes Chapter theme: This chapter explains why managerial accounting is important to the future careers of all business students. It answers three questions: (1) What is managerial accounting? (2) Why does managerial accounting matter to your career? and (3) What skills do managers need to succeed? It also discusses the importance of ethics in business and corporate social responsibility. I. What is managerial accounting? A.

Examine the difference between Financial and managerial accounting

- Financial accounting reports are prepared for external parties, whereas managerial accounting reports are prepared for internal users.
- Financial accounting summarizes past activities. Managerial accounting has a strong future orientation.
- Financial accounting data should be objective and verifiable. Managerial accountants focus on providing relevant data even if these data are not completely
- Financial accounting focuses on precision when reporting to external parties.

Managerial accounting aids decision makers by providing good estimates as soon as possible rather than waiting for precise data later.

- Financial accounting is concerned with companywide reports. Managerial accounting focuses on segment reports. Examples of segments include:
- Financial accounting conforms to GAAP and IFRS. Managerial accounting is not bound by GAAP and IFRS.
- Financial accounting is mandatory because various outside parties require periodic financial statements. Managerial accounting is not mandatory.

B. Activities of managers

- Planning
- Controlling
- Decision making

II. Why does managerial accounting matter to your

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career? A. For all Business majors • It helps to answer important planning questions: budgeting, allocation of staff, purchasing inventory, production of inventory, etc. • It helps to answer important controlling questions: how were expected sales compared to actual sales, are employee evaluations completed in a timely manner, are employees being retained in the organization, is the sales price of products competitive, etc. It helps to answer important decision making questions: whether or not existing equipment should be replaced, should the manufacturing process be redesigned for improved efficiency, whether or not to use temporary or full-time employees, is outsourcing viable, etc. • Managerial accounting is essential for every aspect of the business operations: Marketing, Operations Management, Human Resources, Accounting III. What skills do managers need to succeed? A. Strategic management skills • A strategy is a “game plan” that enables a company to attract customers by distinguishing itself from competitors.

B. Enterprise risk management • Enterprise risk management is a process used by a company to proactively identify the risks that it faces and manage those risks. Once a company identifies its risks, the most common risk management tactic is to reduce risks by implementing specific controls.

C. Process management skills • A business process is a series of steps that are followed in order to carry out some task in a business. Includes understanding 1) Value chain 2) Lean production 3) Just in Time 4) Theory of constraints D. Measurement skills • The question you are trying to answer defines what you’ll measure and how you analyze it. The primary purpose of this course is to teach you measurement skills that managers use

every day to support their planning, controlling, and decision making activities. E. Leadership skills • To be an effective leader, you'll need to develop six skills:

- o You'll need technical competence within your area of expertise and with respect to operations outside your functional area of expertise.
- o You must be a person of high integrity. You'll need to understand how to implement organizational change.
- o You'll need strong communication skills.
- o You'll need to be capable of motivating and mentoring other people.
- o You'll need to effectively manage team-based decision processes

IV. The importance of ethics in business A. The IMA's Statement of Ethical Professional Practice has two main parts – guidelines for ethical behavior and guidelines for resolution of an ethical conflict.

- Guidelines for ethical behavior
    - o Competence
    - o Confidentiality
    - o Integrity
    - o Credibility
  - Guidelines for resolution of an ethical conflict
    - o Follow the organization's established policies for resolving ethical conflict.
    - o Discuss the conflict with immediate supervisor or next highest uninvolved managerial level.
    - o If immediate supervisor is the CEO, consider the board of directors or the audit committee.
    - o Contact above immediate supervisor should only be initiated with supervisor's knowledge, assuming the supervisor is not involved.
    - o Except where legally prescribed, communication with individuals not employed by the organization is not appropriate. Clarify relevant ethical issues with an objective advisor, such as a member of the IMA's Ethics Counseling Service.
    - o Consult an attorney regarding your legal obligations.
- B. Why have ethical standards?

- Ethical standards are motivated by a very practical consideration—if the standards are not followed in business, then the economy and all of us

would suffer. • Abandoning ethical standards would lead to a lower standard of living with lower-quality goods and services, less to choose from, and higher prices.

V. Corporate social responsibility • Corporate social responsibility (CSR) is a concept whereby organizations consider the needs of all stakeholders when making decisions. CSR extends beyond legal compliance to include voluntary actions that satisfy stakeholder expectations. • Stakeholders include groups, such as customers, employees, suppliers, communities, and environmental and human rights advocates, whose interests are tied to the company's performance.