Managerial accounting

Literature, Russian Literature

Memorandum CEO Manager of accounting department 5/26 Re: Managing accountant position Part An internal accounting system is defined as a system which provides the necessary financial information required to ensure effective management of the company's assets. The objective of the internal accounting system is to generate financial information that will streamline operational costs. As a result the operations can be made more efficient. In order to meet the objective of cost control, the accounting system provides information in several areas: cash receipts, cash disbursements, petty cash, payroll and fixed assets (Hill and Jones, 2007). The characteristics of the accounting system are mainly to do with functioning as a control system. By providing the required financial information, the internal accounting system enables the management to monitor the business performance. The internal accounting system can be characterized as a performance management system which enables the management to maximize business efficiency by monitoring the different operational processes. The internal accounting system can also be characterized as a recording system which records the data that are generated in different areas such as finance, marketing and operations. Therefore the characteristics of an internal accounting system related to control and recording serve the objective of providing financial information that can be applied to monitoring business performance. The importance of the financial information cannot be emphasized upon enough as without it the management would not be able to monitor whether the business is attaining its targets. As mentioned before, the internal accounting system collects information in several areas. Therefore it provides information in all those areas, thus enabling the management to assess business performance from one report. In other words access to information is maximized. The information facilitates assessment of both the cost targets and the revenue targets. Since the information is generated from all the business areas, the management can analyze the information to track down the reason if the business fails to meet the cost or the revenue objectives. This illustrates the importance of this information to the company. Without it the performance management system would be non-functional. Therefore strategy formulation would be affected. Unless the management can monitor the performance of the business, they cannot set business goals effectively (Brigham and Ehrhardt, 2007). Therefore the importance of the accounting information lies in the management's ability to set the right business goals. The internal accounting system generates the information which leads to performance assessment in terms of whether the business goals are being achieved. The availability of this information is the platform based upon which the performance management system is created. Therefore the importance of the information is undeniable. Business ethics is an important component of managerial accounting as illustrated in downfall of companies like Enron (Higgins, 2007). Because the accountants of Enron engaged in questionable investments, the company was ultimately unable to pay off its debts and thus was forced to declare bankruptcy. The managerial accountant has an important role to play in upholding business ethics by ensuring that the appropriate checks and balances are applied when it comes to preparing the financial reports (Fred, 2006). The managerial accountant ensures that rigorous investment appraisals are carried out so that no conflicts of interest are present in any transactions. This creates investor confidence. Business ethics is also related to government regulation. Unless the accountant is familiar with the laws, he will not be able regulate the business activities according to government regulation and the business will be in trouble. The accountant has the responsibility to provide reliable information so that business performance can be appropriately monitored. An unethical accountant can provide inaccurate information which will disrupt the different processes. Therefore the managerial accountant has an important role to play in upholding the code of ethics. References Brigham, E. F., & Ehrhardt, M. C. (2007). Financial management: theory & practice. New York: South western college pub. Fred, D. (2006). Strategic management: concepts and cases. New York: Prentice Hall. Higgins, R. C. (2007). Analysis of financial management. New York: McGraw-Hill/Irwin. Hill, C., & Jones, G. (2007). Strategic management theory: an integrated approach. New York: McGraw Hill/Irwin. Part 2 There are two types of accounting information: financial accounting and management accounting. Financial accounting information is backward-looking. It is used primarily for record-keeping. This information is required to make decisions about the financial soundness of the company. However it is management accounting which is required to a greater extent in the decision making process. The management accounting information provides the basis for a forward-looking performance management system (Higgins, 2007). As a result it enables the management and the staff to monitor business performance for any shortfalls from the desired business goals. Management accounting provides budgetary information which is used to define the efficiency in the business processes (Hill and Jones, 2007). Therefore financial accounting enables the company to judge the financial soundness of the company while management accounting provides the information used to guide the future operations of the company. In this manner both types of information are used in the decision making process. The company uses an intranet-based environment to collect and disseminate information about the various processes in the company. The use of digital technology enables both managerial and non-managerial employees to access information about different functions in real-time. For example, a salesman can immediately check upon the availability of stock while he is in the field because the information is online. Each salesman carries a smartphone which is linked to the company database online. This improves the decision making process by providing timely information. The use of digital technology has reduced paperwork and thus saved costs as well. Because the information can be communicated online, management and staff do not have to spend time creating voluminous reports. Instead they can access real-time information through their computer systems. The company has installed a network and intranet infrastructure which transmits web-pages to individual systems where the users can access the accounting information through standard reports online. References Higgins, R. C. (2007). Analysis of financial management. New York: McGraw-Hill/Irwin. Hill, C., & Jones, G. (2007). Strategic management theory: an integrated approach. New York: McGraw Hill/Irwin.