

# [The management accountant in business – tesco public limited company](https://assignbuster.com/the-management-accountant-in-business-tesco-public-limited-company/)

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Introduction Tesco Public Limited Company is a merchandising retailer and a grocery retailer multinational chain which has it’s headquarter in Cheshunt in the United Kingdom. Tesco as compared to its counterparts, Walmart and Carrefour, is the world’s third largest retail store with regard to the revenues that it generates. Tesco stands as the second largest retail stores of the world with regard to its profits, with Walmart being the first.

Tesco has its retail stores spread across almost 14 countries of the world of Asia, North America and Europe. Tesco public limited company is the market leader in its home country United Kingdom with a market share of almost 30%. Tesco was founded by Jack Cohen in 1919 which operated as a group of stalls in the market. After its inception today Tesco plc operates across diverse areas of clothing, electronics, furniture, books, financial services and internet services. Tesco is listed at the London Stock Exchange and is a part of the FTSE 100 index having a market capital of approximately ? 24. billion and a symbol of TSCO. Tesco has been operating with seven business segments, namely, Tesco Superstores, Tesco express, Tesco metro, Tesco extra, One stop, Tesco Homeplus, and Dobbies. The market share of Tesco as recorded in 2012 was 30. 2% which was the highest as compared to its European counterparts. Tesco has developed its marketing headline to be, “ Every little helps”. The tag line is represented in all the print and TV advertisements of Tesco which represents the value that Tesco offers to its customers against the price that they pay, with the value being more than the price of the products.

Tesco not only works for company profits but also for the community at large in which it operates. Tesco has a value of contributing 1. 8% of its profits to the charitable organizations. Tesco has aculturebased on its values of trust andrespect. Tesco employees and management believe that the customers would come back to visit the stores for their shopping if they are satisfied with the products and the service. Tesco believes that the success of the company as a whole depends on the contribution of the employees and the customer satisfaction.

Management accounting is also used in making strategic management decisions (Dixon & Smith, 1993) . Tesco has seven core strategies on which it operates in the long run. The foremost strategy of Tesco is to grow the United Kingdom core business from where it started its operations and expanded globally. The United Kingdom being the largest business operating unit of Tesco generates the largest share of revenues and profits; therefore Tesco needs to develop this major segment of the business.

Tesco also has a goal of being the world’s largest retailer which it has been able to achieve since 1997 and has become the leading retail store in almost eight of its international retail stores. Tesco was originally afoodretailer when it started operating and from then onwards it has aimed at becoming the strongest brand in the non-food items as well. Besides the growth in the United Kingdom segment Tesco has also a strategy of growing its retail stores in the other markets in which it has presence. Tesco believes in serving the community and working for its welfare so that the corporateresponsibilityof Tesco is fulfilled.

Tesco also aims to make high value brands at very competitive prices. Tesco aims to build brands that are highly appealing to the customers and also in providing the customers with quality products. Tesco also builds teams that are very committed to their work and has developed leaders who are dedicated and hard working. The leaders at Tesco have a major responsibility of building teams and working for the attainment of the organizationalgoals(Tesco, 2013). Tesco works closely with the customers and continuously collects their feedback by engaging focus groups in the feedback collection process.

The research center facilitates the identification of the research areas and the areas of concern in the profit centers. The customer feedback collected enables Tesco to make changes to the business processes so that they better meet the customer needs. Tesco also works closely with its suppliers to develop the best brands and also bring in a variety of offers for the customers. Tesco works with a number of suppliers including the FMCG companies and the local suppliers providing goods for the regional retail stores.

Management Accounting Functions at Tesco Management Accounting is distinguished from Financial Accounting as being an accounting constituent that is concerned with the measurement, analysis and the reporting of information regarding the financial and non-financial operations of the business, and taking decisions which are necessary for the attainment of goals of the organization (Bhimani & Langfield, 2007). Management accounting is concerned with the attainment of organizational goals and for serving the strategies of the organization (Durden, n. , p. 2). Hence, management accounting is concerned with the accounting information which is intended to be used within the organization and for the achievement of the goals of the organization. Management accounting is used in organizations to make decisions regarding the competitiveness of the business by the collection, processing, and thecommunicationof the information which will hence help the management of the business in planning, controlling and evaluating the processes of the business and the strategies of the company.

The controllers in the large organizations are basically the leaders who run the management accounting function of the company and the controller then reports the accounting information to thefinanceheads which helps them in taking organizational wide decisions. At Tesco the management accountants are known for having a number of responsibilities including the collection of information from the different cost and profit centers, evaluation of the information, and the identification of the appropriate solutions to the problems faced by the cost or profit centers.

The management accountants have a responsibility of identifying the appropriate and the most cost efficient distribution systems. This role of management accounting in Tesco is related to the establishment and administration of effective control mechanisms. Another management accounting function of Tesco is the sales forecasting, which is related to the identification of the needs of the customers, sales volumes and the effects of seasonal fluctuations on the sales. The management accountants have also the responsibility of ordering the right quantity of supplies at the right time.

The management accountants are also responsible for developing cost, sales and profit budgets and to make capital investment plans. The management accountants also are responsible for the comparison of the plans and budgets with the benchmarks set and the identification of the discrepancies. The management accountants work towards taking the corrective measures in case of variances between the actual and the standard budgets. The task of standard costing is assigned to them which they use to take decisions which are useful for achieving the organizational goals.

The group strategy section of the financial reports shows the management roles in Tesco. The customer researches are conducted to know the extent of their satisfaction and their needs. The management accountants also plan the growth rates in the different markets across the world. The management roles are also highlighted in the capital expenditures section of the annual reports of Tesco. The capital expenditure plans are made by the management accountants. Tesco has planned for major capital expenditures which will enable it to diversify and move into expansion phases worldwide throughout all its retail chains.

The management accountants are also responsible for evaluating and critically analyzing the cash position of Tesco. The management accountants are charged with the responsibility of generating cash sources and reducing the capital expenditures of the retail stores. The working capital is reduced in 2012 which has enabled Tesco to have increased cash inflows (TESCO, 2012). Functions of Modern Management Accounting at Tesco The roles of management accountants in the modern era have increased and have been very diverse in the organizations.

The management accountants have many responsibilities including the formulation of accounting policies, statistical reports, administration of tax policies, coordination of the reports, preparation and the interpretation of the annual reports and the financial statements of organizations, audit of the accounting transactions and the records, compilation of the business costs, costing and planning of inventories, and the interpretation of the statistical reports of the organization.

At Tesco the management accountants are engaged in making budgets including annual as well as monthly budgets. The budgets prepared are used for planning the resources and the supplies required for the operations of the business. The management accountants at Tesco are responsible for looking ahead and predicting the future of the business. The management accountants prepare reports which are used within Tesco and are intended for internal use by the management rather than the outside stakeholders.

The reports prepared are kept confidential because they serve as the basis of the development of the strategies of Tesco. The management accountants have a dual reporting role within Tesco in that they are responsible for developing and managing the teams within Tesco and at the same time reporting to the chief financial officers and the financial departments. The management accountants at Tesco provide information related to the forecasts and plans, they perform variance analysis and monitor the cost centers.

Therefore they serve to be the controllers as well as the financial planners for Tesco. The management accountants gather financial information from all the department of Tesco, organize the data, analyze and interpret and then report their findings to the financial departments of Tesco. Therefore, the management accounting plays a very key role in Tesco. The management accounting over the years have also developed many management systems (Anthony & Govindarajan, 2007).

The management accountants are reported to by all the accounting departments and they are responsible for presenting their financial suggestions to the financial executives for the implementation of the plans. The management accountants at Tesco are therefore charged with the overall responsibility of managing and interpreting very large amounts of accounting information, and then reporting their findings to the chief financial officers. References Tesco PLC. (2013). Our Strategy. Retrieved from: http://www. tescoplc. com/index. asp? pageid= 12 Tesco PLC. (2012).

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