Reflective journal entry

Finance

Reflective Journal Entry Reflective Journal Entry CHAPTER ONE It deals with various tools that areused to come up with competent decision-making strategies. The tools include the incorporation of accounting in deciding vital operations in the firm. Strategic cost management, managerial and financial accounting are the foundation for the accounting information. They are monitored to ensure the company operates on profits and does not have heavy cost implications. Additionally, they are also used to standardize and set global accounting standards that provide perfect international competition. Goals, strategies, and missions have also been used in decision-making processes in an organization. Goals set competition bases within the organization and in external environments. Missions are set based on the firms goal attainment strategies. A firms mission also acts as a base for attracting customers since it is linked to its activities and products. Controlling, Planning and organizing are tools of management that contribute to most of the internal decisions made by managers and departmental heads.

Cost drivers are also tools used in decision-making processes. They include structural, activity and organizational drivers. Structural costs are linked to product delivery and include technologies and scope of operations. Organizational costs are incurred during the relay of information between departments and chain of command. Additionally, they are also involved in the connection between the firm and its external environments such as suppliers and other contractors. Activity costs are incurred while enhancing customer service and catering for their needs. Firms invest in these costs with the aim of customer satisfaction and profit maximization.

Ethics is part of the decision-making tools that a firm has to adopt to ensure success. Ethics is linked to the social life of customers and various impacts that the firm has caused to the society. Code of ethics includes various behavioral approaches that a firm exercises with its customers.

The chapter has provided in-depth information on the approaches that firms have to follow to ensure success and competency. Decision-making processes in firms are not just made abruptly, but managers have to put different principles into consideration. The tools have covered all principles and sectors that make a business unique.

CHAPTER TWO

The chapter specializes in cost behavior analysis and estimation and their relation to the performance of the firm. The cost behavior consists of four patterns that include mixed, variable, step and fixed costs. They are categorized according to the activity volume and changes in response. Cost behavior explains the relationship between the cost item and its costs behavior. It measures changes in activity volume caused by the changes in cost.

Cost estimation is a vital tool for cost management and it deals determining the relationship between cost and activity involved. The process depends on behavior patterns and estimation techniques. The estimations can then be used to plot graphs and scatter diagrams that present the nature. There are also regression formulas that can be used to provide estimations. However, cost estimation has various difficulties such as changes in price and technology that make the accounting process difficult. The process of matching activities and costs is also a barrier of cost estimation. They affect the cost analysis at a larger level. Scatter diagrams and statistical measures through coefficients of determination can be used to identify cost drivers.

Examples of cost drivers include diversity that is in most cases adopted by firms to ensure product uniqueness and competition. Manufacturing and customer hierarchy costs are also classifications of cost drivers.

Firms should firms identify various cost drivers that are incurred during the production processes (Weygandt and Kieso, 2010). The cost behavior ensures that firms cut on production costs to increase profits. An analysis of costs will provide the company with cost ratios that affect the profit maximizations. However, customer costs should be approached with caution since they ensure customer satisfaction and product quality.

Reference

Weygandt, J., & Kieso, D. (2010). Managerial accounting: Tools for business decision-making (5th ed.). Hoboken, NJ: Wiley.