

# [The purpose of managerial accounting](https://assignbuster.com/the-purpose-of-managerial-accounting/)

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The Purpose of Managerial Accounting  The main purpose of managerial accounting is to provide the managers with financial and statistical information using which they can take business and strategic decisions. The purpose also includes the internal reporting purpose which will be used for the appropriate planning and controlling of the routine operations of the business. This is also purposeful for making the non routine decision by managers related to the internal reporting and its functions (Chadwick, 1998). The management accounting is also purposeful for the external reporting of information to the shareholders, creditors, government, investors etc. several decisions related to the management only taken based on the managerial accounting tools like the ratio analysis, capital budgeting and so on. It is also useful for the purpose of the cost analysis and based on which the pricing decisions of the organization can be taken. The managerial accounting is also purposeful for taking budgeting decision for the business as it is vital for corporate decisions to undergo the budgets prepared (Smith, 2007). Managerial Accountants Supporting Strategic Decisions  There are several ways in which the managerial accountants support the strategic decisions. Basically the strategic decisions are associated with the investment of large amount of organization funds into some assets and these decisions are based on the tools of management accounting. The managerial accountants also support the strategic decisions based on the analysis and the use of the managerial accounting tools like the cost analysis, ratio analysis, budgeting and project controlling and appraisal etc. the strategic decisions are based on the reports prepared using the tools of managerial accounting. These reports or analysis aids in taking appropriate strategic decisions as the analysis provides results by which decisions can easily be taken regarding the move of the manager (Smith, 2007). The managerial accountants support the managerial decisions by analyzing or using the accounting tools and making use of the techniques of managerial accounting. The decisions are also taken based on the criteria set by different tools like the decision related to the liquidity needs of any organization can be judged by the calculation of the liquidity ratios like the current and acid test ratio. This shows that the managerial accountants can support the strategic decisions based on the result of analysis (Chadwick, 1998). The Ways in Which Managers Implement Strategy The ways in which managers can implement strategy includes several ways, this mainly includes proper communication of strategic plan. The overall strategies and objectives of organization must be communicated to everyone in the organization in order to make them understand the direction the top management wants to convey. The manager must also do the resource planning as all the departments and senior manager’s work together in order to achieve the objective and for attaining these objectives proper allocation of resources is a must. The managers must also apply proper coordination and implementation of the team work in order to accomplish the objectives (Smith, 2007). The departments within the organizations must coordinate with themselves for attaining the organizational goals and objectives. The managers must also assign the responsibility and accountability to specific staff as this is the best way to implement the strategy originated by the managers or the management. The measurement of results must also be done in order to analyze the implementation is done in an appropriate manner and bring in long term positive results (Chadwick, 1998). Steps That Managers Can Take To Implement a Strategy There are several steps that the managers can take to implement a strategy this varies from process to process but the similar steps which most of the manager’s use includes the selection of right planning team and gathering the right pre planning information for the proper application of the strategy. The allocation of duties and responsibilities to staff is the next step in the strategy implementation for performing the staff duties and assigning them with accountability for each task for proper performance of the duties (Chadwick, 1998). The next step is the development of objectives and balancing it for each task looking at the overall objectives. The next step is to analyze the resources available for attaining the objectives and the allocation of resources to each staff and initiate the monitoring system to measure the performance of the strategy implemented. After the strategy planning process the communication of strategy takes place and linking the strategic plan to the operational plan. The next step is to monitor the overall performance and compare the actual performance with the established standards. This is the last step as if any discrepancy is there in the actual and standards proper control steps are taken (Chadwick, 1998). References Chadwick, L. (1998). Management Accounting. Cengage Learning EMEA. Smith, J. A. (2007). Handbook of Management Accounting. Elsevier.