

Management Accounting:

Level 4:
Unit 5

Lecturer: Matthew Smith-Barrett

Unit Content: (Syllabus)

Level 4:
Unit 5

On successful completion of this unit a student will be able to:

- Demonstrate an understanding of Management Accounting Systems.
- Apply a range of management accounting techniques
- Explain the use of planning tools used in management accounting
- Compare ways in which organizations could use management accounting to respond to financial problems.

Learning Outcome 1:

Level 4:
Unit 5

Upon completion of this Learning Outcome, students should:

- Demonstrate an understanding of Management accounting systems

To realize the above objective the student should be able to:

P.1 Explain management accounting and give the essential requirements of different types of management accounting systems.

P.2 Explain different methods used for management accounting reporting.

Week 3 - Present Financial Information:

Level 4:
Unit 5

Assessment Criteria P2 (M1 & D1):

Upon completion of this lesson, students will be able to:

- Present Financial Information:
 - Why information should be relevant to the user, reliable, up to date and accurate
 - Why the way in which the information is presented must be understandable
 - Different types of managerial accounting reports

Week 3 - Present Financial Information:

Level 4:
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Week 2: Recap

L.O. 1:
P1.2

- Different types of Management Accounting Systems:
 - Cost Accounting System
 - Inventory Management System
 - Job-Costing System
 - Price-Optimization System
- Identify the Benefits of Different types of Systems

Presenting Financial Information

L.O. 1:
P.2

Why information should be relevant to the user, reliable, up-to-date and accurate.

- What is information?
 - Information is Data that is accurate and timely, specific and organized for a purpose, presented within a context that gives it meaning and relevance, and can lead to an increase in understanding and decrease in uncertainty. (Information; Business Dictionary, 2017)

Data versus Information

L.O. 1:
P.2

- The terms 'data' and information are often used interchangeably. It is relevant to point out that data differs from information.
- **Data** is defined as groups of non-random symbols which represent quantities, events, actions and things. Data is made up of characters which may be special symbols, alphabetic and numeric.
- **Information** are data that have been processed and which are meaningful to the user. It must be of real or perceived value for its intended purpose. It also follows that what is information for one purpose or level in the organization may be used as data for further processing into information for a different purpose and level.

What is required of Accounting Information?

L.O. 1:
P.2

- There are four (4) qualitative characteristics of accounting information that serve as a basis for decision making purposes in accounting:

Relevance

Reliability

Comparability

Consistency

Accounting information qualitative characteristics:

L.O. 1:
P.2

Information Cost-benefit Constraint		Characteristic	Definition	Qualities	Information Materiality Constraint
Understandability	Usefulness				
Primary Qualities	Relevance	Makes a difference in a decision	<i>Primary:</i> - Timeliness <i>Secondary:</i> - Predictive value - Feedback value		
	Reliability	Is faithfully presented	<i>Primary:</i> - Verifiability - Representational faithfulness <i>Secondary:</i> - Neutrality		
Secondary Qualities	Comparability	Allows comparison between or among different entities			
	Consistency	Allows comparison within a single entity from one accounting period to the next			

Qualities of Management Information

L.O. 1:
P.2

- Management information usually possess the following attributes:
 - Accuracy
 - Completeness
 - Timeliness
 - Concise
 - Clarity
 - Cost/Benefit Analysis:

Why the way in which the information is presented must be understandable?

L.O. 1:
P.2

Management accounting provides information that is relevant to Planning and control decisions, for example, budgetary control information, budgeting information, relevant costs for one-off decisions, and profitability reports for profit monitoring.

Managers Use information

L.O. 1:
P.2

- a) By relating them to other knowledge they already have; and
- b) By asking for other information before making a decision. Using information with reference to experience and knowledge is a quality of a good management.

Types of information necessary

L.O. 1:
P.2

- a) What are his resources?
- b) At what rate are his resources being consumed?
- c) How well are the resources being used?

Different types of managerial accounting reports

L.O. 1:
P.2

Managerial accounting reports help small business owners and managers monitor the company's performance and are prepared frequently throughout accounting periods as needed. Depending on the type of project and the time-sensitivity of the information, an owner or manager may request reports quarterly, monthly, weekly or even daily.

Different types of managerial accounting reports (cont'd)

L.O. 1:
P.2

Types of Management Accounting Reports:

- Budget Report
- An operating budget
- Accounts Receivable Aging
- Job Cost Reports
- Inventory and Manufacturing
- Profit & Loss Statement

Conclusion

L.O. 1:
P.2

As stated before, the context and format of the Management Accounting reports is solely based on the preference of Management.

The information presented in the reports are to be understandable and conform to the key principles of information which make the reports useful for the decision making purposes of the managers, to create greater value for the company.

Reference List

L.O. 1:
P.2

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