## Management Accounting

Definition

Management accounting also is known as managerial accounting and can be defined as a process of providing financial information and resources to the managers in decision making. Management accounting is only used by the internal team of the organization, and this is the only thing which makes it different from financial accounting. In this process, financial information and reports such as invoice, financial balance statement is shared by finance administration with the management team of the company. Objective of management accounting is to use this statistical data and take a better and accurate decision, controlling the enterprise, business activities, and development.

Financial accounting is the recording and presentation of information for the benefit of the various stakeholders of an organization. Management accounting, on the other hand, is the presentation of financial data and business activities for the internal management of the organization.

**SCOPE OF MANAGEMENT ACCOUNTING**

Management accounting is concerned with presentation of accounting information in the most useful way for the management. Its scope is, therefore, quite vast and includes within its fold almost all aspects of business operations. However, the following areas can rightly be identified as falling within the ambit of management accounting:

**(i) Financial Accounting:** Management accounting is mainly concerned with the rearrangement of the information provided by financial accounting. Hence, management cannot obtain full control and coordination of operations without a properly designed financial accounting system.

**(ii) Cost Accounting:** Standard costing, marginal costing, opportunity cost analysis, differential costing and other cost techniques play a useful role in operation and control of the business undertaking.

**(iii) Revaluation Accounting:** This is concerned with ensuring that capital is maintained intact in real terms and profit is calculated with this fact in mind.

**(iv) Budgetary Control:** This includes framing of budgets, comparison of actual performance with the budgeted performance, computation of variances, finding of their causes, etc**.**

**(v) Inventory Control:** It includes control over inventory from the time it is acquired till its final disposal.

**(vi) Statistical Methods:** Graphs, charts, pictorial presentation, index numbers and other statistical methods make the information more impressive and intelligible.

**(vii) Interim Reporting:** This includes preparation of monthly, quarterly, half-yearly income statements and the related reports, cash flow and funds flow statements, scrap reports, etc.

**(viii) Taxation:** This includes computation of income in accordance with the tax laws, filing of returns and making tax payments.

**(ix) Office Services:** This includes maintenance of proper data processing and other office management services, reporting on best use of mechanical and electronic devices.

**(x) Internal Audit:** Development of a suitable internal audit system for internal control.

**FUNCTIONS OF MANAGEMENT ACCOUNTANT**

It is the duty of the management accountant to keep all levels of management informed of their real position. It has, therefore, varied functions to perform. The important functions can be summarized as follows:

**i) Planning:** It has to establish, coordinate and administer as an integral part of management, an adequate plan for the control of the operations. Such a plan would include profit planning, programmes of capital investment and financing, sales forecasts, expenses budgets and cost standards.

**(ii) Controlling:** It has to compare actual performance with operating plans and standards and to report and interpret the results of operations to all levels of management and the owners of the business. This is done through the compilation of appropriate accounting and statistical records and reports.

**(iii) Coordinating:** It consults all segments of management responsible for policy or action. Such consultation might concern any phase of the operation of the business having to do with attainment of objectives and the effectiveness of the organizational structures and policies.

**(iv) Other functions:**

* It administers tax policies and procedures.
* It supervises and coordinated the preparation of reports to governmental agencies.
* It ensures fiscal protection for the assets of the business through adequate internal control and proper insurance coverage.