Victoria University of Bangladesh

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ACT 217

Ans. to the Q. No - 1

Management accounting is the process of analysis, interpretation and presenting of accounting information collected with the help of financial accounting and cost accounting, in order to assist management in the process of decision making, creation of policy and day to day operation of an organization.

The objectives of management accounting -

1. Measuring performance: Management

accounting measures two types of performance. First is employee performance and the second is efficiency measurement

2. Assess Risk : The aim of management accounting is to assess risk in order to maximize risk.

3. Allocation of resources : is an important objective of management accounting.

4. Presenting of various financial statement to the management.

Ans. to the Q. No - 2

Management accountants are insiders who create internal analyses to guide the overall business strategy.

There are six reasons that make management so important to take decision.

1. Relevant costs analysis : The most important job of the management accounting is to conduct a relevant cost analysis to determine the existing expenses and give suggestions for the future activities.

2. Audience targeting: Marketers must pay special attention to their consumers. They represent an anchor of the business, so each company has to create a buyer persona with all of the corresponding features such as:

* Age and gender
* Location
* Income level
* Academic background
* Lifstyle
* Personal values.

3. ~~Ba~~ Make buy evaluations: Product productions is often the most expensive segment of the business, so it's crucial

to be sure which option suits the needs of your company.

4. Define budgets: Nothing is random when it comes to ~~b~~ budgeting. On the contrary, the budget related decisions must comply with ~~you~~ the sales history and marketing database.

5. Controling: It evaluates the work of all company units and makes conclusions related to the financial performance.

6. Planning: The last benefit of

it comes from its potential to detect financial patterns and predict future developments. It enables you to stay up to date with the latest industry trends.

Ans. to the Q. No - 3

Financial accounting and management accounting are two largest branches of the accounting discipline. ~~Despite~~

Financial accounting	Management accounting
The main objective of financial accounting are to disclose the end results of the business.	The main objective of managerial accounting is to help management by providing information that is used to plan

Financial accounting produces information that is used by extenal parties.	Managenial accountin produces information that is used within an ongaqnization by managens and employee
It is legally requined to prepanae financial accounting reeports	Managenial accountin reports are not legally requined
Financial accounts are reeponted in a specific formart	Formate is informal and is on a pen
Rules in financial accounting are prescribled by stan-dard such as GAAP on IFRS.	Managenial accounting reeponts are only used internally within the organization
Reponting frequency	Reponting frequency
Defined - anully, semi anually - quatrtenly , yearly	Ass needed - daily weekly , monttly.

Ans. to the Q. No - 4

Cost is an accounting ~~prag~~ process that measures all of the costs associated with production, including both fixed and variable costs. The purpose of cost accounting is to assist management in decision-making processes that optimize operations based on efficient cost management.

cost are as follows:

Direct cost : Direct costs are related to producing a good or service. A direct cost includes raw materials, labor, and expense.

Indirect costs: Indirect cost on the other hand, are expenses unrelated to producing a good or services. An indirect cost cannot be easily measured.

Fixed cost: Its do not vary with the number of goods or services a company produces over the short term.

variable cost: Variable costs fluctuate as the level of production output changes, contrary to a fixed cost.

Opportunity costs: It is the benefits of an alternative given up ~~with~~

when one decision is made over another.

Controlable cost: Controlable costs are ~~expensive~~ expenses managers have control over and have to the power to increase or decrease.

Sunk cost: It's are historical costs that have already been incurred and will not make any difference in the current decisions by management.

Ans. to the Q. No – 5

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liability}}$$

Current liabilities:	Current asset:
Retained earnings = 80,000	Cash in hand = 258000
Accounts payable = 150,000	Inventories = 180,000
Accrued expenses = 30,000	Debtors = 16,000
Current liabity = 260,000	Prepaid ex. = 26,000
	Current ass. = 480,000

$$\text{Current Ratio} = \frac{\text{Current asset}}{\text{Current liability}}$$

$$= \frac{480,000}{260,000}$$

$$= 1.84$$

Ans. 1.84 : 1

$$\text{Quik Ratio} = \frac{\text{Current assets} - \text{Inventory}}{\text{Current liabities}}$$

$$= \frac{480{,}000 - 180{,}000}{260{,}000}$$

$$= \frac{300{,}000}{260{,}000}$$

$$= 1.15$$

<u>Ans.</u> 1.15 : 1 (Ideal quik ratio 1:1)