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 presentation 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 to day operation of an organization. Thus, it is clear from the above that the management accounting is based on financial accounting and cost accounting.

Following are 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. The actual performance is measured with standardized performance and a report of deviation From the standard performance is reported to the management for the effective decision making and also to indicate the effectiveness of the methods is use.

2 Assess Risk: The aim of the methods in use. Both types of performance management are used to make corrective actions in order to improve performance.

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 Presentation of various financial statements to the Management.

Ans: to: the: Q: NO: 2

Management accounting helps managers strategize, course correct and make informed decisions based on the analysis and interpretation of the financial data related to the internal operations of the company. Management accounting is a virtual tool to help the managers of an organization steer it towards their goals.

5 Types of Managerial Accounting That Add value to your Business:

1 MARGIN ANALYSIS: Managerial accounting analyzes the incremental benefit of increased production this is called margin analysis. This flows into the breakeven analysis, which involves calcutating the contribution margin on the sales mix to determine the unit volume at which the business gross sales equal total expenditures.

2 CONSTRAINT ANALYSIS: Constraint analysis indicates the limitations within a sales process or production line. Managerial accountants find out where the constraints occur and calculate

impact on cash flow, Profit and revenue.

3. CAPITAL BUDGETING: Managerial accountants help a business decide when, where and how much money to spend based on financial data. Using standard capital budgeting metrics, such as net ~~Re~~ Present value and internal rate of return, to help decision makers decide whether to embark on costly Projects or purchases.

4. TREND ANALYSIS/FORECASTING: Reviwing the trendline for certain costs and investigating unusual variances or deviations is an important part of managerial accounting. Decisions are made by using previous information like historical Pricing, sales volumes,

geographical location, customer trends and financial data to calculate and Project future financial situations.

5 PRODUCT COSTING/VALUATION:

Determining the actual costs of products and services is another element of managerial accounting. Overhead charges are calculated and allocated to come up with the actual cost related to the Production of a product.

Ans: to: the: Q: No: 3

Managerial accounting focuses on an organization's internal financial processes while financial accounting focuses on an organization's external financial processes.

Managerial accountants focus on short term growth strategies relating to economic maintenance.

Management accounting is a field of accounting that analyzes and provides cost information to the internal management for the purpose of Planning controlling and decision making. Management accounting refers to accounting information developed for managers within an Organization. CIMA (Chartered Institute of Management Accountants) defines management accounting as Management Accounting is the process of identification ~~and~~ measurement, accumulation, analysis preparation, interpretation and communication of information that used by management to plan, evaluate, and accountability for its resources. This is the phase of accounting concerned with providing information to managers for use in planning and controlling operations and in decision making.

Financial accounting is concerned with providing information to stockholders creditors, and other who are outside an organization. Managerial accounting provides the essential data with with organizations are actually run. Financial accounting provides the seorecard by which a company's past performance is judged.

Ans: to: the: Q: no: 4

The concept of cost is a key concept in Economics. It refers to the amount of payment made to acquire any goods and services. In a simpler way, the concept of cost is a financial valuation of resources, materials, risk, time and utilities consumed to purchase goods and services.

Different ways to categorize costs:

1. Fixed and variable costs The two basic types of costs incurred by business are fixed and variable.

2. Direct and indirect costs Direct costs are similar to variable costs.

3. Product and Period costs The concepts The concepts of product and period costs are similar to direct and indirect costs

Ans: to: the: Q: No: 5

Current ratio = Current asset/current liability

Quick ratio = Current asset - inventory/current liability.