Victoria University of Bangladesh

Mid-Term Examination

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Course Title : Management Accounting

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Ans to the Q. NO – 1

Management Accounting –

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.

objectives of management accounting -

Management accounting takes a forward-thinking approach. It is more predictive than cost accounting. various objectives of management accounting are given below:

01. Assisting in the planning and Formulation of Future policies.

02. Assisting with the understanding of Financial Data.

03. Assist in performance management

04. Assisting with organization

05. Helpful in Resolving strategic problems.

06. Information Exchange

07. Assisting in Employee Motivation

08. coordination Assistance

09. Reporting

10. controlling

Ans to the Q. No - 2

Management accounting helps financial mangers 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 its towards their goals.

Decision making in business should be driven by facts and figures. Management accounting helps in making decisions based on the actual accounting data. Management can base their strategic decisions based on the actual data and trends.

Management accounting is the process of preparing reports and accounts which help in every day decision making. The management accounting reports differ from the traditional financial accounting reports in two major aspects:

- The frequency: Financial accounting reporting is performed on a quarterly or annual basis, while the management accounting reports are more frequent like daily, weekly or monthly.

- Target Audience: Financial accounting reports are prepared for the external stakeholders while management accounting reports are consumed internally by managers. Management accounting helps financial managers to make decisions involved are -

- Identifying key performance metrics for all the departments
- collecting the data on current performance
- comparing and reporting the current performance vis-a-vis expected
- Analyzing the reasons for deviations
- Suggesting corrective measures.

The goal is to use the budget to help make short-term operational decisions that will help increase the company's operational efficiency.

Ans to the Q. No - 3:

Management accounting –

Management accounting is a new field of accounting that studies managerial aspects. It deals with the provision of financial data to the company's management so that they can make rational economic decisions.

Financial Accounting –

Financial accounting is the original form of accounting that deals with recording business transactions and summarizing the data into reports, which are presented to the users so that financial decisions can be made rationally.

Basis for comparison	Financial Accounting	Management Accounting
Meaning	Financial accounting is an accounting system that focuses on the preparation of a financial statement of an organization to provide financial information to the interested parties	The accounting stystem which provides relevant information to the managers to make policies, plans and streategies for running the business effectively is known as mangement accounting
Orientation	Historical	Future
Users	Both internal and external users	Only internal users
Nature of statements prepared	General - purpose financial statements	Special purpose financial statements
Reports	Only financial aspects	Both financial and non-financial aspects
publishing and auditing	Required to be published and audited by statutory auditors.	It is not meant to be published or audited. It is for internal use only.

financial accounting support management accounting create budgets, understand public perception, track efficiency, analyze product performance, and develop short- and long-term strategies, among several other decisions aided by accounting figures.

Accounting is the process of recording and reporting financial information from business transactions. Finance uses this information to determine and improve the efficiency and effectiveness of its operations. For example, finance uses accounting information to create working capital analyses and budgets.

Ans to the Q. No - 4

Concept of cost —

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, risks, time and utilities consumed to purchase goods and services.

With heightened competition in today's world, companies are urged to make maximum profits. The company's decision to maximize earnings relies on the behaviour of its costs and revenues. Besides the concept of opportunity cost, there are several other concepts of cost namely fixed costs, explicit costs, social costs, implicit costs and replacement costs.

Cost is the required expenditure need to create and sell goods and services. Sometimes, the cost is also defined as the expenditure required to own assets. Cost is charged to expense when it is sold or consumed.

categorize costs —

Cost categorize involves the separation of a group of expenses into different categories. A classification system is used to bring to management's attention certain costs that are considered more crucial than others or to engage in financial modeling. Several types of cost classifications are noted below -

01. Fixed and variable costs
02. Departmental costs
03. Distribution channel costs
04. customer costs
05. Discretionary costs

Ans to the Q. NO - 5

* Current ratio $= \dfrac{\text{Current assets}}{\text{Current liabilities}}$

$= \dfrac{480000}{180000} = 2.67$

here,

Current assets = Cash in hand + Inventories + debtors + Prepaid Expenses

$= 2,58,000 + 180000 + 16000 + 26000$

$= 480000$

Current liabilities = Account payable + Accrued Expenses

$= 1,50,000 + 30,000$

$= 180000$

* Quick Ratio $= \dfrac{\text{Current assets - inventories}}{\text{Current liabilities}}$

$= \dfrac{480,000 - 180,000}{180,000}$

$= 1.67$