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Course title : MANAGEMENT ACCOUNTING

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Course code: Act 217

Ans: to the Q.N (1)

(1) The main objective of managerial accounting is to maximize profit and minimize losses. It is concerned with the presentation of data to predict inconsistencies in finances that help managers make important decisions. Its scope is quite vast and includes several business operations.

Objectives of Management accounting: uses of information
* planning and policy formulation
* Decision making
* Motivating

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* Controlling
* Coordinating operations
* Reporting
* Help in organizating
* Interprets financial information
* communicates up-to-data information
* Evalutes policies effectiveness

Assistance in planing and formulation of future policies.

Management accounting assists management in planning the activities of the business. Planning is deciding of the business advance what is to be done, when it is to be

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done how it is to be done and by whom it is to be done. It involves forecasting on the basis of available information.

<u>Helps in the Interpretation of Financial Information:</u>

Accounting is a technical subject and may not be easily understandable by everyone till the user has a good knowledge of the subject. Management may not be able to use the accounting information in its raw form due to lack of knowledge of

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accounting techniques.

Controlling performance:

Management use accounting is a useful device of managerial control. The whole organisation is divided into responsibility centres and each centre is put under the charge of one responsible person. He will be associated with the planning and framing of the budgets and be required to execute the plans and standards and deviations are analysed in order to plan-

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Coordinating operations:

Management accounting helps the management in co-coordinating the activities of the concern by getting prepared functional budgets in the first instance and then co-coordinating the whole activities of the concern by integrating all functional budges into one known master of budges.

Motivating Employees:

The management accountant by setting goals, planning the best and economical course of action and then measuring the performance tries his best to increase the effectiveness of the organization and thereby

Ans to the Q.N (2)

(1) Accounting is the Process by which a business keeps track of their daily transactions. It also includes analysis and summarization of the transactions into accounting reports.

Management account which may also be called cost accounting is a more internal process. Management accounting is the process of managing and extracting reports and analysis of the financial data of the organization for decision making

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Management accounting helps managers strategize, course correct and make informed decision 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 toward their goals. Management accounting analysis financial information, interprets it and presents insights to the management. It helps the non-accounting personnel

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understand and make sense of the financial data within the company can help managers.

Relevant costs analysis:

How a company spends its money directly impacts the bottomline. to improve profit margins, a company will have to perform a cost analysis to analyze expenses and better plan future expenses. Since expenses are likely to be spends out expense analysis involves comparing different suppliers, products

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Audience targeting

Product or service desing is succ-
essbull when bulbilles the needs
of the end user or customer.
A company that knows its target
audience well will be able to desigh
both its products as well as its
adverstions do not take advan-
tayese of the valuable infor-
mation that they have about
their existing customers. A
company that analysises their
customers data will be able
to understand their demo-
graphics. management acco-
unting can be used to distrib-
utes customer data over
through customer

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Make or buy evaluations

Manufacturing industries have a large amount of data that they can analyze to opti-mize every stage of prod-ucing. product producting is the core focus of the compny

Define budgets

Budgets that are decided at random are often wasted mis allocated or insufficient. They may even be excessive and lock in money that could be better used else where in the company. the most intellegent way of defining the budget for a period is to study the history

Ans: to the Q.N (3)

(3) 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 ratio-nally. On the other hand, management accounting is a new field of accounting that studies managerial aspects etc. It deals with the provision of financial data to the comm

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company's management so that they can make rationy economic decisions.

Financial Accounting	Management Accounting
Financial accounting is an accounting system that focuse on the preparation of financial statement or an organization to provide financial information to the interested parties	The accounting system which provides relevant information to mangers to make policies, plans and strategies for running the business effectively is know as management accounting
Both internal and external users	only internal users
General purpose financial statements	special purpose financial statement

Rules of GAAP are followed	No fixed rules for the preparation of reports
Only financial aspects	Both financial and non financial aspects
Financial statement are prepared for a fixed period one year.	Management reports are prepared whenever needed.
To create periodical reports	to assist internal management in planning and decision making process by providing detailed information on various matters.
Required to be published and audited by statutory auditors	It is not meant to be published or be audited. It is for internal use only
specified	not specified
this part explaines the difference	decision making thus maximising the profit

financial accounting is the purest form of accounting. It deals with proper record keeping preparation of financial statements and reporting of financial data, to provide relevant information to its users.

① Its aim is to record financial transactions in the accounts in a systematic manner,

② It involves the preparation of financial statement, balance sheet, income statement and cash flow statement.

③ Users of financial statement may include shareholders both present and potential labor unions, creditors financial

Another name for management accounting is managerial accounting. It is the accounting for managers that facilitates management in formulating policies for directing, planning and controlling the operations.

Management accounting concerned with the use of accounting information collected using various account methods for purpose like.

(1) Policy formulation
(2) planning
(3) control and Decision making by the management them.

* It involves the provision of information to the management so that they can undertake their managerial responsibilities and function effectively.
* It supplies both historical and estimated data to the management of the company that is used for evaluation and cotrol of performance and also planing future operations.
* For the purpose of recording classifiying summarizing and reporting business transactions is management

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Ans: to the Q.N (4)

(4). cost accounting is an accounting 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. The cost including in cost accounting are

Direct cost

Direct cost are related to producing a good or service.

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A direct cost includes raw materials labor and expense or distribution costs associa-ted with produceing a product The cost can easily be traced to a product, department or project.

Indirect costs:

indirect costs, on the other hand, are expense unrela-ted to produceing a good a or servyce. An indirect cost cannot be easily traced to a product, deparment, ac-tivity, or project them

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Fixed costs

Fixed costs do not vary with the number of goods or services a company produces over the short term. for example, suppose a company leases a machine for production for two years.

variable costs

variable costs fluctuate as the level of production output changes. contrary to a fixed cost. This type of cost varies depending on the number of products a company produces. A variable cost increases as the produ-

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uction volume decreases

Operating costs

operating costs are expense associated with day to day business activities but are not traced back to one product operating costs can be variable or fixed.

opportunity costs

opportunity costs is the benefits of an alternative given up when one decision is made over another. this costs is therefore, most relevant for two mutually exclusive events. Symptl

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investing, it's the difference in return between a chosen investment and one that is passed up.

Sunk costs

Sunk costs are historical costs that have already been incurred and will not make any difference in the current decision by management. Sunk cost are those controll Sunk cost costs that a company has committed to and are unavoidable or unrecoverable costs. Sunk costs are exclud ed from future business dec.

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controllable costs

controllable costs are expen- se managers have control over and have the power to increases or decrease controllable costs are consid- ered so when the decision.

the Bottom line

costs accounting looks to ass- ess the different costs of a business and how they impact operations, costs, efficiency, and profits. individually assessing a com- pany's cost structure allows managements to improve the way it runs its business

Ans to the Q. N (5)

(5) (a) Current Ratio = $\dfrac{\text{Current Assets}}{\text{Current Liabities}}$

~~Current liabilities~~

(b) Quick Ratio = $\dfrac{\text{Quick Assets}}{\text{Immidiate liabities}}$