

CHAPTER 1

The Accountant's Role
in the Organization

Accounting Disciplines

- Financial Accounting – focus on external users and GAAP rules
- Managerial Accounting – focus on internal users and is not necessarily GAAP-driven. Also provides data for financial accounting. This includes:
 - Cost Accounting
 - Cost Management

Some Major Differences between Financial and Managerial Accounting

	Managerial	Financial
Purpose	Help Managers Make Decisions	Communicate Financial Position
Primary Users	Internal Managers	External Stakeholders
Focus	Future Oriented	Past Oriented
Rules	Cost-benefit	GAAP
Time Span	Varies	Annual/Quarter

Strategy and Management Accounting

- Strategy – specifies how an organization matches its own capabilities with the opportunities in the marketplace to accomplish its objectives
- Strategic Cost Management – focuses specifically on the cost dimension within the overall strategy

Strategy and Management Accounting

- Management accounting helps answer questions such as:
 - Who are our most important customers?
 - What substitute products exist?
 - What is our critical resource?
 - Will we have enough cash to support our strategy?

Management Accounting and Value

- Creating value is an important part of planning and implementing strategy
- Value is the usefulness a customer gains from a company's product or service
- Value Chain is the sequence of business functions in which customer usefulness is added to products or services

Management Accounting and Value

- The Value Chain:
 - Research and Development
 - Design
 - Production
 - Marketing
 - Distribution
 - Customer Service
- Management accounting can provide information in each of these areas
- Analysis can also include the supply chain

Key Success Factors

- The dimensions of performance that customers expect, and that are key to the success of a company include:
 - Cost and efficiency
 - Quality
 - Time
 - Innovation

Planning and Control Systems

- Planning selects goals, predicts results, decides how to attain goals, and communicates this to the organization
 - Budget – the most important planning tool
- Control takes actions that implement the planning decision, decides how to evaluate performance, and provides feedback to the organization

Management Accounting Roles

- Problem Solver
- Scorekeeper
- Attention Director

Management Accounting Guidelines

- Cost – benefit approach is commonly used: benefits generally must exceed costs as a basic decision rule
- Behavioral and Technical Considerations – people are involved in decisions, not just dollars and cents
- Different definitions of cost may be used for different applications

Organizational Structure and the Management Accountant

- A typical structure might include:
 - CEO
 - CFO
 - Controller – responsible for managerial and financial accounting
 - Treasury
 - Risk Management
 - Taxation
 - Internal Audit

Professional Ethics

- The four standards of ethical conduct for management accountants as advanced by the Institute of Management Accountants:
 - Competence
 - Confidentiality
 - Integrity
 - Objectivity