

Lesson 1-1

The Manager and Management Accounting

Accounting Discipline Overview

- Managerial accounting—measures, analyzes, and reports financial and nonfinancial information to help managers make decisions to fulfill organizational goals. Managerial accounting need not be GAAP compliant.
- Financial accounting—focus on reporting to external users including investors, creditors, and governmental agencies. Financial statements must be based on GAAP.

Major Differences Between Financial and Managerial Accounting

	Managerial Accounting	Financial Accounting
Purpose	Decision making	Communicate financial position to outsiders
Primary Users	Internal managers	External users
Focus/Emphasis	Future-oriented	Past-oriented
Rules	Do not have to follow GAAP; cost vs. benefit	GAAP compliant; CPA audited
Time Span	Ultra current to very long time horizons	Historical monthly, quarterly reports
Behavioral Issues	Designed to influence employee behavior	Indirect effects on employee behavior

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 a firm's overall strategy

Strategy and Management Accounting

- Management accounting helps answer important questions such as:
 - Who are our most important customers, and how do we deliver value to them?
 - What substitute products exist in the marketplace, and how do they differ from our own?
 - What is our critical capability?
 - Will we have enough cash to support our strategy or will we need to seek additional sources?

Management Accounting and Value

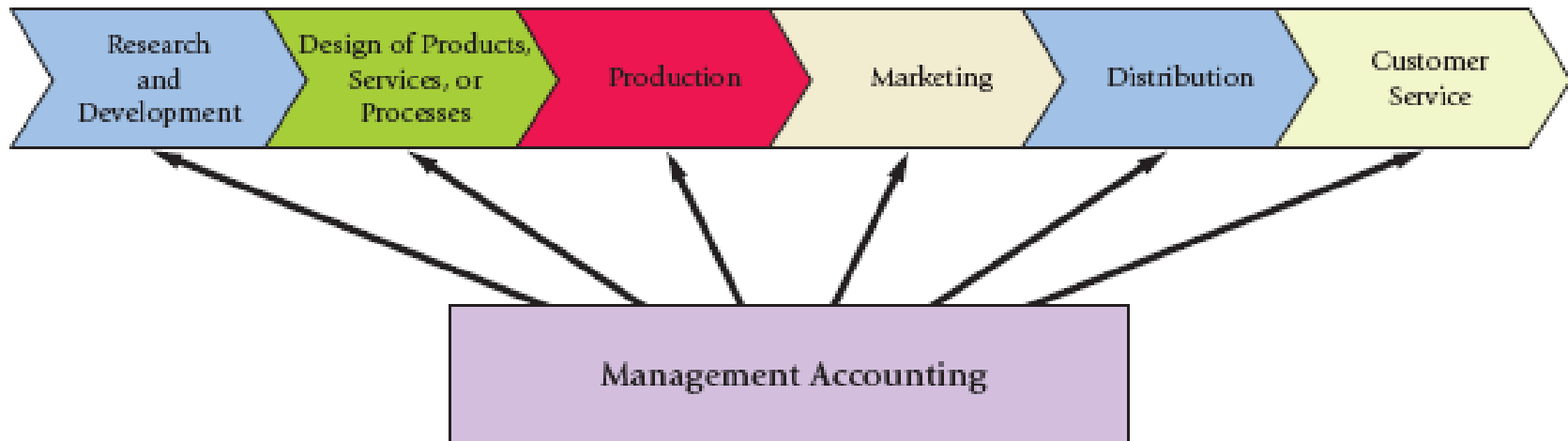
- Creating value is an important part of planning and implementing strategy.
- Value is the usefulness a customer gains from a company's product or service.

Management Accounting and Value

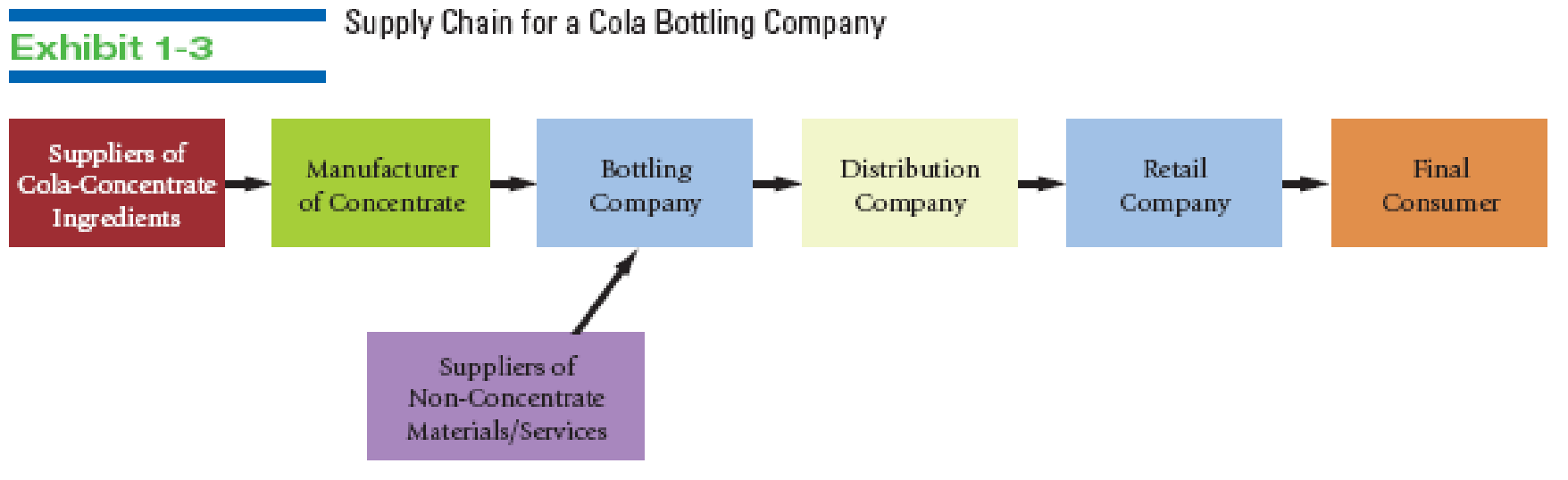
- Value chain is the sequence of business functions in which customer usefulness is added to products or services.
- The Value chain consists of:
 1. Research & development
 2. Design
 3. Production
 4. Marketing
 5. Distribution
 6. Customer service

The Value Chain Illustrated

Exhibit 1-2 Managers in Different Parts of the Value Chain



A Value Chain Implementation



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