

# MANAGEMENT ACCOUNTING

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## INTRODUCTION

- “Managerial Accounting is the practice of identifying, measuring, analyzing, interpreting and communicating financial information to managers for the pursuit of an organization’s goals.” – **Investopedia**.
- Management Accounting is for **internal** users (Management, Shareholders, Employees)
- The main purpose of Management Accounting is enabling the top and mid-level management to take proper decisions.

# Management Accounting v/s Financial Accounting

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- ❖ M.A. is for internal users while F.A. is for external users.
- ❖ F.A. helps in reporting and disclosure of business activities while M.A. helps to analyze such business activities and take decisions accordingly.
- ❖ F.A. is governed by certain set of rules like Accounting Standards. However, there is no such restriction for M.A. as it is going to be used for internal purposes we can modify it according to our requirements.

# OBJECTIVES OF M.A.

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- ❖ **Decision making**
- ❖ **Understanding Financial data**
- ❖ **Identifying business problem areas**
- ❖ **Controlling and Organizing business operations**
- ❖ **Strategic Management**

# LIMITATIONS OF M.A.

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- ❖ **Less knowledge**
- ❖ **Outdated data**
- ❖ **No guaranteed results**
- ❖ **Expensive**
- ❖ **Might be unnecessary for small firms**

# CORPORATE FINANCIAL STATEMENTS

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## INTRODUCTION

“Financial statements” refer to, “written records that convey the business activities and financial performance of an entity (Company) for a particular period of time”

Financial Accounting is all about to show the users of the F/S whatever has happened in the previous year like a **report card**. Management Accounting however intends to take the data from the given Financial Accounting F/S and analyze the data in order to enable **“Decision Making”**.

# COMPONENTS OF FINANCIAL STATEMENTS

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❖ **Balance Sheet – Assets & Liabilities**

❖ **Income statement – Trading Account + P&L Account**

❖ **Cash flow – Transactions in cash i.e. Cash inflows and outflows**

❖ **Statement of shareholders' equity – Changes in equity shares and retained earnings**

# KEY POINTS FOR STUDYING THIS CHAPTER

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- ❖ The preparation / presentation of “Corporate” F/S is in a **Vertical format**, in contrast to the Traditional Financial Accounting F/S which are in a Horizontal format.
- ❖ In this chapter we will discuss about 2 types of Financial out of the four that we discussed earlier viz. **Balance sheet** and **Income statement**.

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THANK YOU !

