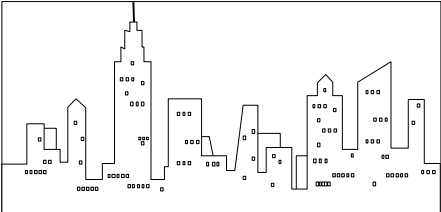


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Managerial Accounting
Ninth Edition

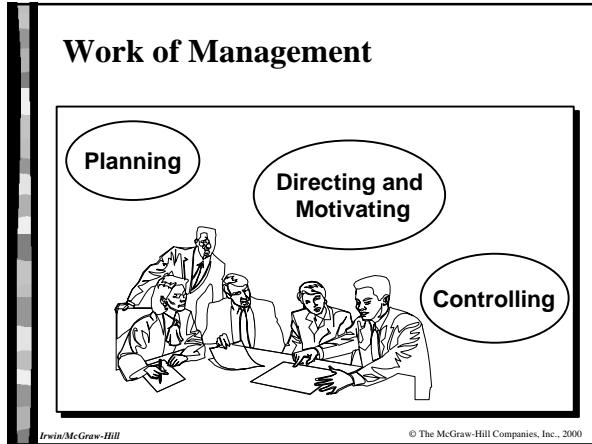
Chapter
1

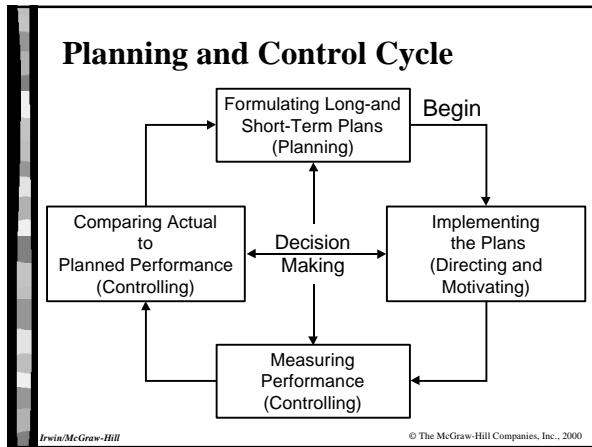
**Managerial Accounting
and the Business
Environment**

**Managerial Accounting and
Financial Accounting**

<p>Managerial accounting provides information for managers of an organization who direct and control its operations.</p> 	<p>Financial accounting provides information to stockholders, creditors and others who are outside the organization.</p> 
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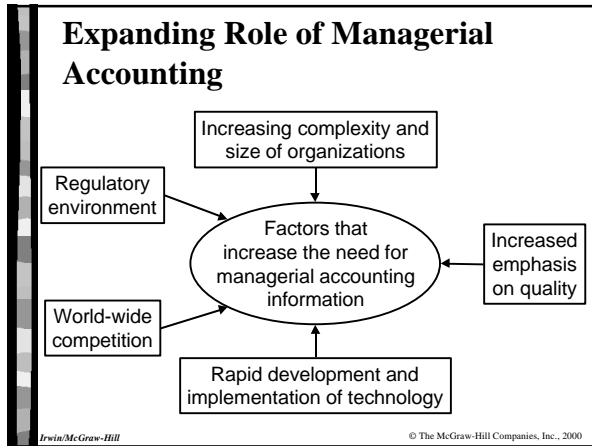




Differences Between Financial and Managerial Accounting

	Financial Accounting	Managerial Accounting
1. Users	External persons who make financial decisions	Managers who plan for and control an organization
2. Time focus	Historical perspective	Future emphasis
3. Verifiability versus relevance	Emphasis on verifiability	Emphasis on relevance for planning and control
4. Precision versus timeliness	Emphasis on precision	Emphasis on timeliness
5. Subject	Primary focus is on the whole organization	Focuses on segments of an organization
6. Requirements	Must follow GAAP and prescribed formats	Need not follow GAAP or any prescribed format

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The Changing Business Environment

A more competitive environment emphasizing:

- 1 Higher quality products
- 2 Lower prices and costs
- 3 Global competition
- 4 Meeting and anticipating customer needs

Business environment changes in the past twenty years

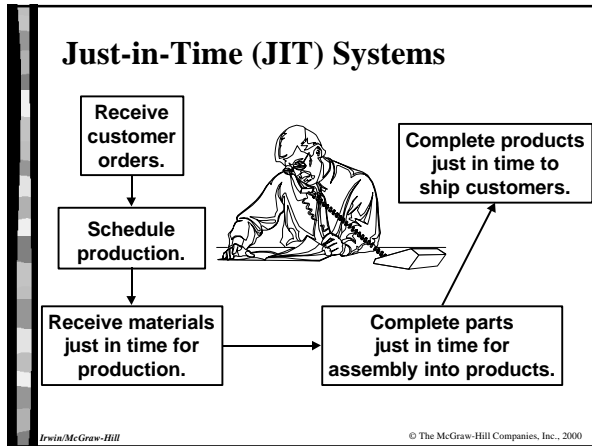
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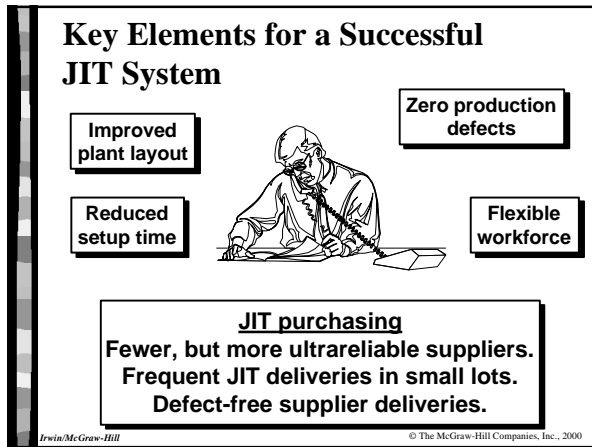
The Changing Business Environment

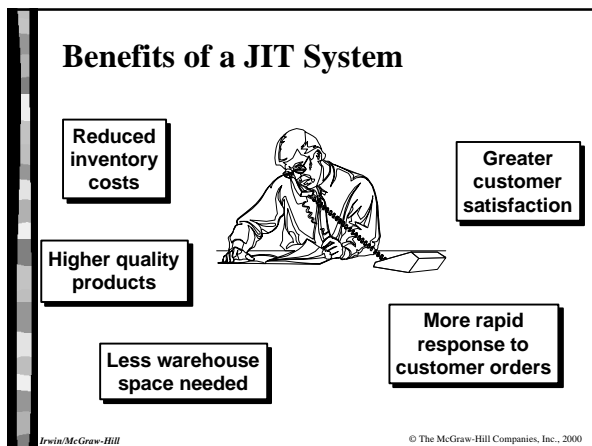
New tools for managers!

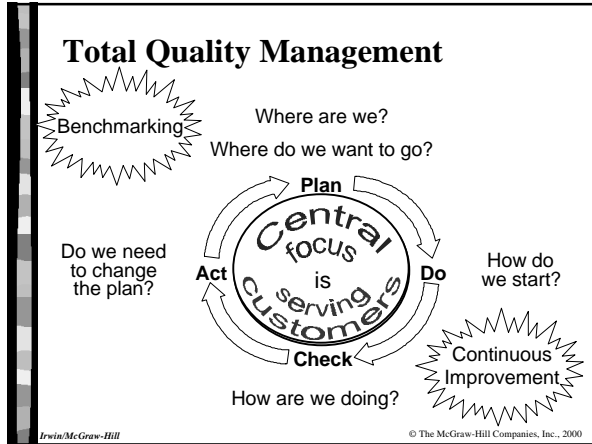
Just-In-Time
Total Quality Management
Process Reengineering
Theory of Constraints

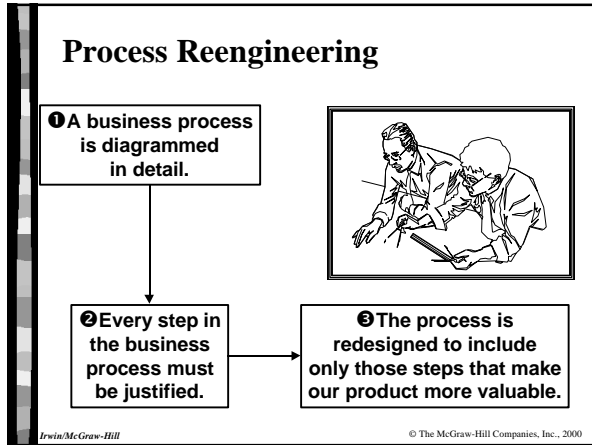
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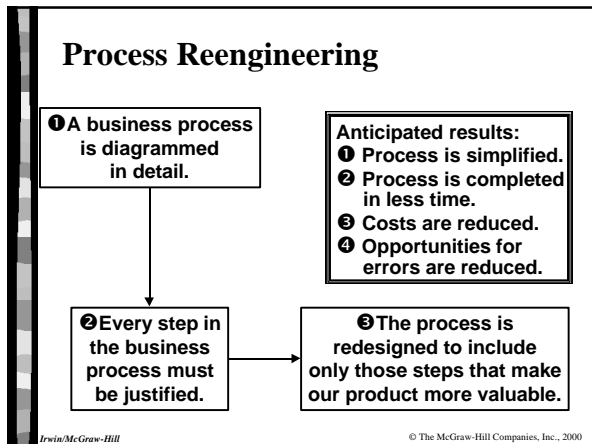












Theory of Constraints

A sequential process of identifying and removing constraints in a system.

↑
Restrictions or barriers that impede progress toward an objective



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International Competition

Meeting world-class competition demands a world-class management accounting system.

Managers must make decisions to plan, direct, and control a world-class organization.



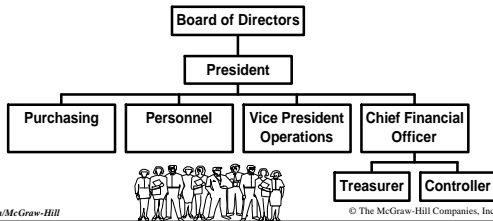
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Organizational Structure

An organization is a group of people united for a common purpose.

Corporate Organization Chart

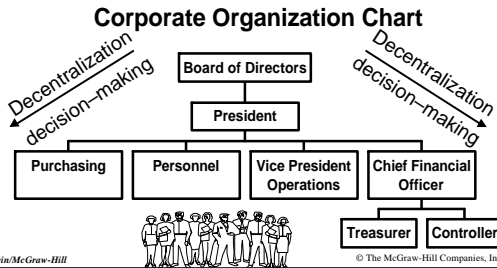


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Decentralization

Decentralization is the delegation of decision-making authority throughout an organization.



Line and Staff Relationships

Line positions are directly related to achievement of the basic objectives of an organization.

- ❖ Example: Production supervisors in a manufacturing plant.



Staff positions support and assist line positions.

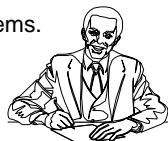
- ❖ Example: Cost accountants in the manufacturing plant.



The Controller

The chief accountant in an organization with responsibility for:

- ❖ Financial planning and analysis.
- ❖ Cost control.
- ❖ Financial reporting.
- ❖ Accounting information systems.



Importance of Ethics in Accounting

- Ethical accounting practices build trust and promote loyal, productive relationships with users of accounting information.
- Many companies and professional organizations, such as the Institute of Management Accountants (IMA), have written codes of ethics which serve as guides for employees.



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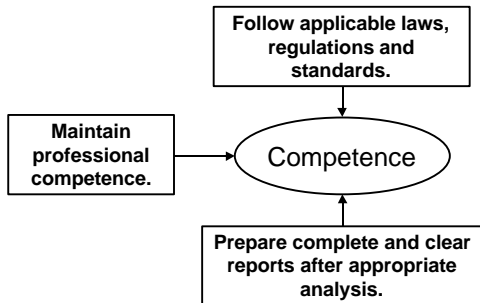
IMA Code of Ethics for Management Accountants

- Competence
- Confidentiality
- Integrity
- Objectivity
- Resolution of Ethical Conflict

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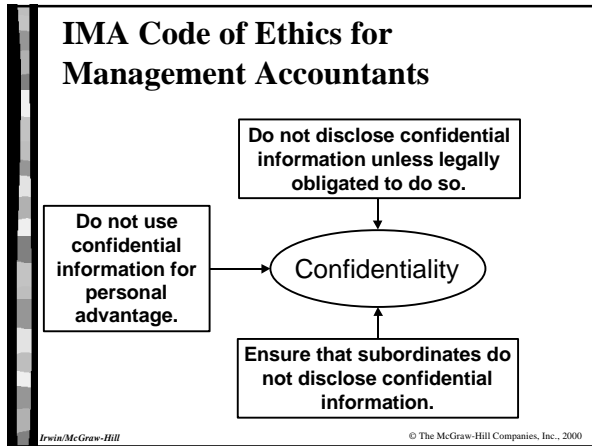
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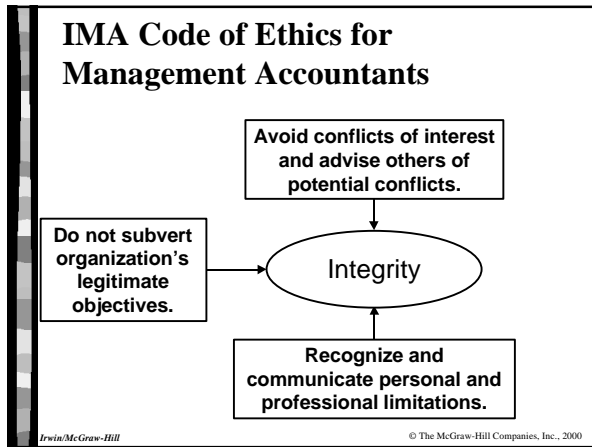
IMA Code of Ethics for Management Accountants

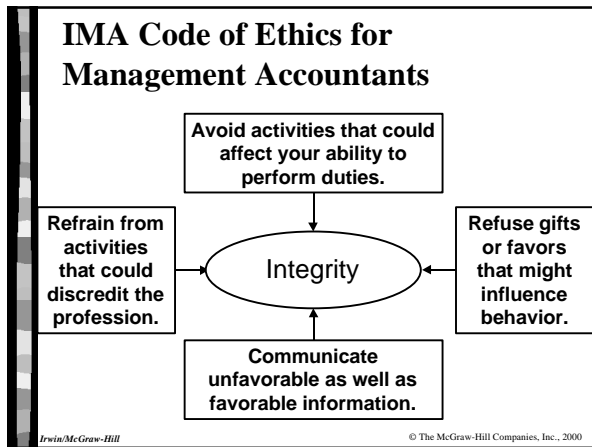


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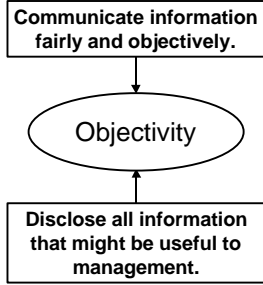
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IMA Code of Ethics for Management Accountants



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IMA Code of Ethics for Management Accountants

Resolution of Ethical Conflict

- ❶ Follow established policies.
- ❷ For unresolved ethical conflicts:
 - ❖ Discuss the conflict with immediate superior.
 - ❖ If immediate superior is the CEO, consider the board of directors or the audit committee.
 - ❖ Except where legally prescribed, maintain confidentiality.

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IMA Code of Ethics for Management Accountants

Resolution of Ethical Conflict

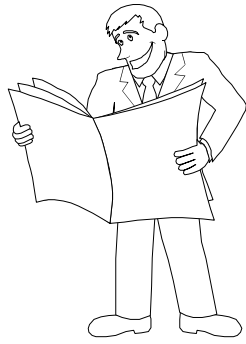
- ❸ Clarify issues in a confidential discussion with an objective advisor.
- ❹ Consult an attorney as to legal obligations.
- ❺ The last resort is to resign.



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End of Chapter 1



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