

Chapter 1 Introduction to Managerial Accounting

What is Managerial Accounting?

Managerial accounting provides information that helps managers fulfill their three primary responsibilities: planning, directing, and controlling operations. Integrated throughout all of these responsibilities is decision making.

- Planning – Setting goals and objectives
- Directing – Overseeing day to day operations
- Controlling – Evaluating our results and making adjustments

Managerial accounting emphasizes *relevant* information that can be used to make business decisions that will positively impact the *future* operations of the company.

Financial Accounting vs. Managerial Accounting

Characteristic	Financial Accounting	Managerial Accounting
Users of information	EXTERNAL	INTERNAL
Purpose of information	Investing & decision	Planning, directing, controlling
Primary product	Preparing Financial Statements	Variety of reports
Reporting format	GAAP	Whatever we want
Focus (basis) of information	Historical	Future
Characteristic of information	Reliable & objective	Relevant
Reporting unit	Company as a whole	Segments
Reporting frequency	Annually & quarterly	As needed
Verification of information	Audited by CPAs	No formal audit
Requirement of information	SEC	Not required
Impact on employee behavior	Adequate disclosure	Concern for behavioral implications

The Importance of Ethical Behavior

Ethical behavior means doing the right thing, regardless of the consequences. Not all unethical behavior is illegal, but all illegal behavior is unethical.

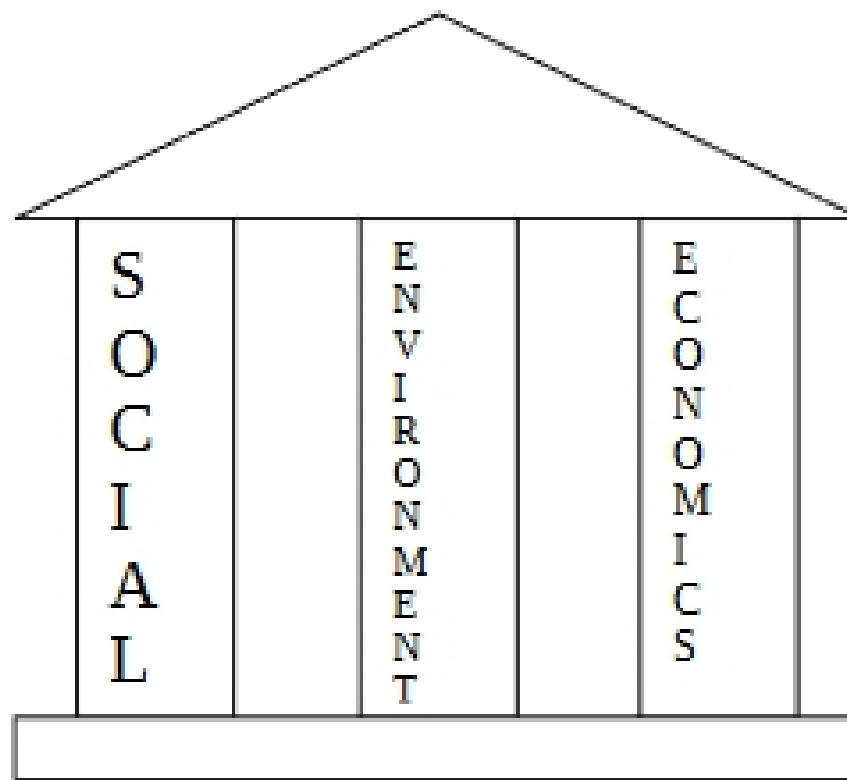
Unethical behavior includes:

- Dishonesty
- Unfairness
- Lack of objectivity
- Irresponsibility

Sustainability and Managerial Accounting

Sustainability, as defined by the United Nations, is the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs.

The Three Pillars of Sustainability



The triple bottom line recognizes that a company's performance should be viewed in terms of the following three items:

1. PROFIT (economic)
2. PEOPLE (social)
3. PLANET (environmental)

Regulatory Issues and Other Trends

SOX
IFRS
XBRL

<IR>
JIT
TQM