

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

### 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.

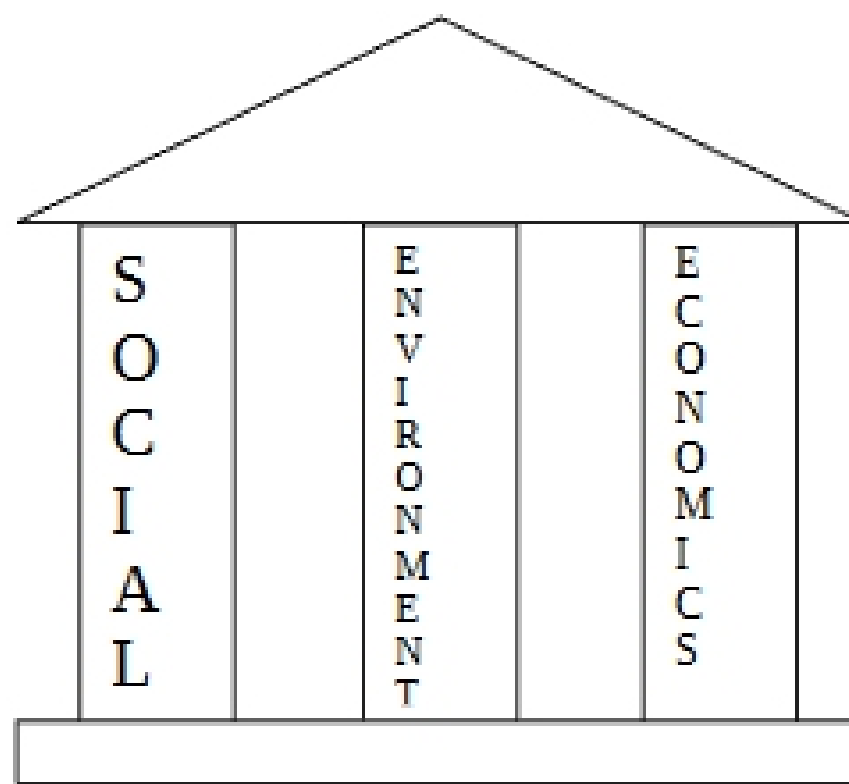
Unethical behavior includes:

- 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

## Chapter 2 Building Blocks of Managerial Accounting

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Aside from governmental agencies and not-for-profit companies, all companies are in business to generate profits. What are the two basic ways of generating more profit? Hint: think about the Income Statement.

1. Increase Revenues / Sales
2. Decrease Expenses

How do companies that **embrace sustainability** differ?

Still focus on profits, but also consider environment and people

### Common Types of Companies

- Service Companies – Sell intangible services \*0 inventory accounts\*
- Merchandising Companies – **reselling** tangible products \*1 inventory accounts\*
- Manufacturing Companies – converting raw materials into a final product. EX: Toyota making their own cars \*3 inventory accounts\*

*Manufacturing* companies carry **three types of inventory**:

- Raw materials inventory – all materials that go into making our final product (engines, steel, tires)
- Work in process inventory – partially completed goods (partially completed cars)
- Finished goods inventory – Goods that are completed and ready to be sold, but not yet sold

What is the role of management accounting, regardless of the type of company?

Providing relevant information so that our managers can make the right decisions.