

# CHAPTER 1

The Accountant's Role  
in the Organization

# Accounting Disciplines

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- Financial Accounting – focus on external users and GAAP rules
- Managerial Accounting – focus on internal users and is not necessarily GAAP-driven. Also provides data for financial accounting. This includes:
  - Cost Accounting
  - Cost Management

# Some Major Differences between Financial and Managerial Accounting

	<b>Managerial</b>	<b>Financial</b>
Purpose	Help Managers Make Decisions	Communicate Financial Position
Primary Users	Internal Managers	External Stakeholders
Focus	Future Oriented	Past Oriented
Rules	Cost-benefit	GAAP
Time Span	Varies	Annual/Quarter

# Strategy and Management Accounting

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- 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 the overall strategy

# Strategy and Management Accounting

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- Management accounting helps answer questions such as:
  - Who are our most important customers?
  - What substitute products exist?
  - What is our critical resource?
  - Will we have enough cash to support our strategy?

# Management Accounting and Value

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- 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
- Value Chain is the sequence of business functions in which customer usefulness is added to products or services

# Management Accounting and Value

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- The Value Chain:
  - Research and Development
  - Design
  - Production
  - Marketing
  - Distribution
  - Customer Service
- Management accounting can provide information in each of these areas
- Analysis can also include the supply chain

# Key Success Factors

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- The dimensions of performance that customers expect, and that are key to the success of a company include:
  - Cost and efficiency
  - Quality
  - Time
  - Innovation



# Planning and Control Systems

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- Planning selects goals, predicts results, decides how to attain goals, and communicates this to the organization
  - Budget – the most important planning tool
- Control takes actions that implement the planning decision, decides how to evaluate performance, and provides feedback to the organization

# Management Accounting Roles

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- Problem Solver
- Scorekeeper
- Attention Director

# Management Accounting Guidelines

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- Cost – benefit approach is commonly used: benefits generally must exceed costs as a basic decision rule
- Behavioral and Technical Considerations – people are involved in decisions, not just dollars and cents
- Different definitions of cost may be used for different applications

# Organizational Structure and the Management Accountant

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- A typical structure might include:
  - CEO
    - CFO
      - Controller – responsible for managerial and financial accounting
      - Treasury
      - Risk Management
      - Taxation
      - Internal Audit

# Professional Ethics

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- The four standards of ethical conduct for management accountants as advanced by the Institute of Management Accountants:
  - Competence
  - Confidentiality
  - Integrity
  - Objectivity