

Understanding Processes and Value Creation

	Management	Financial
Users	Internal (middle to top level management)	External
Uses	<ul style="list-style-type: none"> - Planning (strategy – LT v ST) - Controlling (monitor things going to plan) - Facilitating decision making - Evaluation (qualitative & quantitative) 	<ul style="list-style-type: none"> - Investment - Tax - Borrowing - Regulation
Reporting Standards	No mandatory rules - Only, <i>benefits > costs</i> to provide data	GAAP, IFRS, IAS, AASB
Emphasis	Relevance, Timeliness, Flexibility	Objectivity, Reliability, Precision
Information	Financial & Non-financial (subjective possible)	Financial only
Content/detail	Broad & multidisciplinary but decision specific	More self-contained and aggregated
Orientation	Future	Past

Management Accounting: the processes and techniques that focus on the effective and efficient use of organizational resources, to support managers in their tasks of enhancing both *customer value* and *shareholder value*.

- **Resources:** financial (debt/equity) and non-financial (factors of production) means of an organisation
- **Customer value:** difference between what a customer receives (customer realisation) and what the customer gives up (customer sacrifice)
 - ↳ **Customer realisation:** tangible and intangible benefits received from products services
- **Shareholder value:** the value that shareholders place on a business
 - ↳ E.g. dividends, share price, profits

Process Analysis

Process analysis seeks to realign task performance and resource use to realise desired strategic goals and enhanced customer value i.e. the link between strategic goals and resourcing to achieve those goals

Objective of Process Analysis

- **Understanding** (Business process map)
 - ↳ Understand the interrelationships, as well as the linkages with resources and strategy
- **Monitoring** (Statistical process map)
 - ↳ Establishing key process attributes; and having these variables measured and compared, and taking correction action if required
- **Prioritising** (Pareto diagram)
 - ↳ Identifies critical business processes and to differentiate between value adding and non-value adding; in order to rank improvement of these first.
- **Problem Solving**
 - ↳ Recognises where and why a problem occurs and by suggesting approaches to correct these problems

Identify the Process

Process: group of interdependent activities which, when performed, utilise the resources of a business to produce a definite product i.e. ordered activities to convert inputs into outputs

