

Long Run and Short Run

- Short Run
 - Some of the costs/input cannot be varied
 - **Planning:** How can we get the most output from available inputs/resources
 - **Control:** Did we maximize output given the inputs/resources we had? (**Efficiency**)
- Long Run
 - All costs/inputs can be varied
 - **Planning:** How do we match the supply and demand for all our inputs/resources?
 - **Control:** Did we use the right inputs/resources? (**Effectiveness**)

Goal of Cost Management

- Increase customer value and/or lower cost throughout the value chain, not to minimize costs.

Management Accounting

- Measures and reports financial information as well as other types of information intended primarily to assist managers in fulfilling the goals of the organization.
- Qualities
 - Future Emphasis
 - Emphasis on relevance to management decision making
 - Timeliness
 - Segments of an organization are focused upon
 - Not required to follow GAAP/regulatory frameworks
 - Not mandatory

Cost Accounting

- Measures and reports financial and non-financial information related to the organizations acquisition and consumption of resources, providing information for both management and financial accounting.

Link between management & cost accounting and cost management

- Management accounting produces information to help managers make decisions
- Cost accounting focuses on producing information related to acquisition and consumption of resources.
- In order to take the right cost management actions, management accounting information which includes cost accounting information is required.
- Cost benefit analysis required when deciding if information should be obtained.

Decision Making Framework

- Clarify the decision problem
- Specify the decision criteria
- Identify viable alternatives
- Collect relevant information
- Evaluate and compare cost and benefits of each alternative

