Information for Creating Value and Managing Resources

Management accountants design systems to get data as well as implement and manage systems. This is used to prep financial statements

Business is changing and has changed already.

Management accounting: processes and techniques that focus on the effective and efficient use of resources to support managers in increasing customer and shareholder value. This is more focused on decisions than numbers.
Efficiency is important to create value.
Customer value: the value the customer places on the features of the goods or services, or why customers buy from you.
Shareholder value: worth of the business, or why do they invest in you.
There may be a trade off in the two in the short run.

Management accountants:
- Support managers in making decision
- Identify problems and help to solve them
- Apply accounting techniques to real world problems
- Explain accounting concepts to managers not trained in accounting

While avoiding to overload the manager with information.

Management accounting supports the organisation's formulation and implementation of strategy and contributes to improving competitive advantage.
It also provides information to help manage resources through planning and control and estimates the cost of output. It is also used to support the strategic and operational decision needs of managers.

Management accounting systems: information systems that produces information for managers to create value and manage resources.
These are internal reports and are thus a bit more flexible.

Operational managers: managers who have responsibility for manufacturing or service activities.

Management accounting is relevant for all levels of the business

Big data is expensive and difficult to extract and loses it's value quickly.

ACCA and IMA suggest we should:
- Develop new performance measures
- Learn new analytical skills
- Unravel meaning of data and interpret it

Financial accounting is external reporting and thus has accounting standards applied to it. It also mostly looks at financial data.
While management accounting is much more inward focusing. They use any data.
There is not much overlap, especially as management accounting does not need to comply with GAAP or accounting standards and is thus much more flexible.

Cost accounting system estimates the cost of something. These differ as organisations do.
There are four types:

- Job costing
- Process costing
- Hybrid costing
- Activity-based costing

Vision: the desired future state or aspiration of an organisation. Who does the organisation want to be.
Mission statement: defines the purpose and boundaries of the organisation
Objectives/Goals: specific aims of the organisation over a specific period of time.
Strategy: direction over the long term to meet mission. There are several types:

- **Corporate strategy:** decisions about the types of businesses to operate/acquire and divest into, and the structure and finance of the organisation. This is more high level.
- **Business/competitive strategy:** this is usually the competitive advantage used.
- **Strategic planning:** long term planning deciding how the business competes within it's chosen market
- **Strategy implementation:** the planning and implementation of the strategy, including tracking outcomes to predictions.

Types of competitive advantage:

- Cost leadership
- Product differentiation (most organisations sit here)
- Niche market

These tend not to be black and white but a scale.

Businesses can contribute to strategy through:

- Strategic planning
- Implementing strategies
- Maintaining competitive advantage

Management accounting can also be used for planning and control, where control enables plans to be effective.

Considerations of the design of management accounting systems:

- Behavioural issues
  - Such as motivating staff
- Costs and benefits of information
- Conditions and motivations influencing the design
  - **Contingency theory**: the design of an organisations management accounting systems is contingent on a range of factors that reflects the context of the business
  - **Institutional theory:** managers may adopt certain accounting practices to achieve legitimacy

Managers may do the role of management accountants but may not have been trained in accounting.

History:

During the industrial revolution there was the need to measure performance, and as these were privately owned accounting standards did not apply. However financial accounting was more important, especially when external financing became more important.

They then developed management accounting to track costs, and these became complex, laying the foundation for cost accounting.
Now globalisation means more aggressive competition.
Thus managers need much more detailed information to make decision, solve problem and plan for the future, so financial information is less useful as it's based in the past.

Contemporary management accounting techniques facilitates decision and support new structures, systems and practices as a response to changing environments.

Management accounting looks at the needs of the organisation, and are throughout every level.