ACCT2522 Textbook Notes (Langfield-Smith et al 8th ed.)

Table of Contents

Revision of Cost Basics (Chapters 1, 2, 3, 7)

- Management accounting information helps satisfy the information needs of managers in setting worthwhile objectives, managing resources effectively and efficiently, and adding value for customers, owners and other key stakeholder groups.
- Management accounting – processes & techniques that focus on the effective and efficient use of organisational resources to support managers in their tasks of enhancing both customer and shareholder value.
- Customer value – value a customer places on particular features of a product (cost, quality & time)
- Shareholder value – the value that shareholders (owners) place on a business. Shareholders are usually interested in increased profitability and share price (dividends), and management has responsibility for meeting these expectations.
- Increasing customer value often comes at a cost, and sometimes managers may need to make trade-offs. Where there's a conflict between increasing customer and shareholder value, the latter is likely to be given priority as this is the key strategic objective for most organisations.
- Effectiveness focuses managers on the successful achievement of an objective while efficiency focuses managers on achieving the objective with the lest possible consumption of resources. Resources include both financial and non-financial resources, e.g. information, work processes, employees, committed customers and suppliers. Non-financial resources determine the capabilities and competencies of the organisation, which allow it to survive and prosper in an increasingly turbulent global environment
- Management accounting system – an information system that produces the information required by managers to create value and manage resources. Management accounting information can be provided on a regular basis and can include estimates of the costs of producing g/s, information for planning & controlling operations, and information for measuring performance. Information can also be provided on an ad hoc basis, to satisfy the short- and long-term decision-making needs of management. However, sometimes information also needs to be obtained from other sources, including those outside the organisation e.g. competitors' prices
- Factors causing management accounting systems to differ:
    - Varying information needs for different managers
    - Differences in production/service technologies
    - Organisational structure and company size
    - The external environment in which the organisation competes
    - Level of sophistication of computer systems

  These aspects can affect managers' needs for and supply of information, and will be an important influence on the design of a management accounting system