Management Accounting

(Meaning, Nature and Scope)

In this cut throat competition management requires various types of informations to perform its functions more efficiently. To meet the increasing requirement of management, the various specialised branches of accounting have come into existence such as Financial Accounting, Cost Accounting, Tax Accounting, Management Accounting and Social Responsibility Accounting.

Meaning of Management Accounting:

Management Accounting is mainly confined to assist the management in planning and controlling the operations of a business. Therefore, management accounting presents the accounting information in such a way which the managers can use to enhance their performance. The management accountant use various techniques and concepts to make the accounting data more useful for managerial decision making. These techniques include ratio analysis, budgetary control, Fund Flow Statement, Cash Flow Statement, etc.

Nature of Management Accounting:

Management Accounting has no set principles such as double entry system of book-keeping. In place of GAAP (generally accepted accounting principles) the philosophy of cost benefit is the core guide of this discipline. It says that no accounting system is good or bad but is desirable so long as it brings incremental benefits in excess of its incremental costs. Applying the principles of management accounting to financial matters can not be a perfect solution to any problem. The overall performances varies upon the skill, judgement and ~~o~~ common sense of the accountants. Hence, it can be said that management accounting is an inexact science.

Scope of Management Accounting:

The scope of management accounting is very wide as it aims in assisting managers in their overall functions. However, the following areas can be ~~be~~ identified within the ambit of 'Management Accounting'.

1. Financial Accounting:

In order to perform efficiently managers uses the informations provided by Financial Accounting. Without a proper financial accounting system management can not have co-ordination in their operations.

2. Cost Accounting:

Standard costing, marginal costing, opportunity cost analysis, differential costing and other cost techniques play a useful role in operation and control of the business undertaking.

3. Revaluation Accounting:

It ensures that capital is maintained intact in real terms and profits are calculated with this fact in mind.

4. Budgetary Control:

This includes framing of budgets, comparison of actual performance with the budgeted performance, computation of variances, finding their causes, etc.

5. Inventory Control:

It includes control over inventory from when it is acquired ~~toi~~ till it is disposed off.

6. Statistical Methods:

Graphs, charts, pictorial presentation, index numbers and other statistical methods makes the informations more impressive and intellectual.

7. Interim Reporting:

This includes preparation of monthly, quarterly, half-yearly income statements and the related reports.