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The Purpose and Characteristics of Management Accounting A Review

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Abstract

Accounting for management, which is often referred to as managerial accounting, may be defined as the process of providing financial information and resources to managers for the goal of decision making. Accounting for management is also known as accounting for management. Accounting for management is also sometimes referred to as managerial accounting. The one and only distinction between management accounting and financial accounting is that management accounting is used only by the internal team of the company, whilst financial accounting is utilised by external parties. This is the only difference between the two types of accounting. Invoices and financial balance statements are sent to the management team of the company as part of the process that is carried out by the finance administration. This process involves the exchange of financial information and reports with the management team of the company. "The use of statistical data for the purpose of arriving at judgments that are more informed and precise is the objective of management accounting. The ultimate goal of management accounting is to exercise control over the operations of an organisation as well as its development. Financial accounting is all about recording and presenting information with the goal of giving value to the many various stakeholder groups that a company has. This is the main focus of financial accounting. On the other hand, management accounting is the presentation of financial data and business operations for the purpose of providing information to the organization's internal management. This differs from financial accounting in that management accounting focuses on providing information to the organization's internal management.

Key words: Management , accounting, business, controlling etc.

Introduction

One of the definitions of management accounting states that it is the application of professional skills and knowledge in the preparation of financial and accounting information in such a way that it will assist the internal management in the formulation of policies, planning, and control of the operations of the firm. This is one of the definitions of management accounting. Another definition of management accounting states that it is the application of professional skills and knowledge in the preparation of financial and accounting information. The primary purpose of management accounting is to provide assistance to management in the process of decision-making. It does not have a predetermined structure or format of any kind. Some of the methods and approaches that are used in management accounting include financial accounting, costing, business analysis, economics, and many more. The essential need for management accounting is that the data should be useful for its intended purpose, which is to assist management in making crucial decisions about the company. Management accountants, who are also known as management accountants, are responsible for monitoring the activities that occur inside and around a company while keeping the requirements of the company in mind. This leads to the formation of data and estimations. The process of turning these estimates and data into information that will eventually be utilised to influence decision-making is known as cost accounting. The primary distinction between financial accounting and management accounting is whether or not the attention is directed inwardly or outwardly. The primary goals of financial accounting are the preparation of financial statements for external users, such as creditors and investors, and the analysis of those statements. In contrast, the analyses and outcomes of management accounting are stored internally so that corporate executives may utilise them to guide decision-making and improve the efficiency with which they operate the organisation. Managerial accountants are responsible for a wide range of accounting tasks. The terms margins, restrictions, capital budgeting, trends and forecasts, valuation, and product costing are all included in this category.

Definitions of Management Accounting

According to R. N. Anthony: *Management Accounting is concerned with accounting information that is useful to management.*

Objects of Management Accounting:

The most important purpose of management accounting is to provide the management with the accounting information that has been compiled.

The objects are:

1. To Assist in Planning:

Management accounting provides assistance to management in the process of planning as well as the formulation of policies. This assistance is provided in the form of making projections regarding the production, the selling, the inflow and outflow of cash etc., i.e., in the process of planning a very wide range of activities that are associated with the business.

In addition to this, it may make projections about how much may be required for different courses of action or the projected rate of return therefrom, and it can also choose the activity programme that will be carried out at the same time.

2. To Assist in Organising:

It does this by developing budgets and determining which particular cost centres will be charged, and then delivering resources to those cost centres while delegating responsibility for making sure those resources are used effectively. Because of this, a growing interrelationship can be seen between the many components of the business.

3. To Assist in Motivating:

It does this by establishing objectives, preparing the most effective and cost-effective courses of action, and monitoring the performances of the workers, all with the intention of increasing the employees' overall productivity and, eventually, motivating the organisation as a whole.

4. To Coordinate:

It assists the management in coordinating the activities of the enterprise, first by preparing the functional budgets, and then in coordinating the entire activity by integrating all functional budgets into one that is known as the Master Budget. Both of these steps are part of the process of coordinating the enterprise's activities. In this manner, it assists management in coordinating the many components of the business, which is an important function. In addition, the absence of Budgetary Control completely precludes any possibility of general coordination.

5. To Control:

A comparison of the actual work done with the predetermined Standards enables management to exercise more effective control over employees' performances.

6. To Communicate:

It is beneficial to the management in terms of sharing the enterprise's financial information. Information is required by management not just for making choices but also for assessing how effectively the firm is doing. These reports and statements, which are an essential aspect of management accounting, now make this information readily accessible to users.

7. To Interpret Financial Information:

Due to the highly technical nature of the subject of accounting, it is impossible for all parties involved to have a comprehensive understanding of the various approaches to accounting until and unless the users have amassed a significant amount of information about the topic.

In addition, for the same reason, management may be unable of comprehending the consequences of the accounting information in its unprocessed state. However, this issue does not emerge in the case of management accounting since it offers the necessary information in a style that is understandable and does not rely on technical language. This allows the management to correctly read the financial facts, as well as assess the many potential courses of action, and come to the best possible judgments.

Nature or Characteristics of Management Accounting:

Accounting for Management's overarching objective is to cater to the requirements of management by means of the presentation of pertinent information in order to facilitate more effective operations inside the company. In this part of the process, information that is both economic and financial is gathered from both internal and external sources.

1.The information is then analysed, and any necessary processing is carried out in accordance with the procedures that have been established. The findings that were gathered in this manner are then given to management in order for them to make judgments. It is possible to refer to it as an information system due to the fact that its primary focus is on the acquisition and dissemination of information.

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2. Secondly, it utilises a selective method. The method does not include gathering the data and then organising it in any way, shape, or form.

3. Thirdly, It is an analytical piece of work, which means that it explains the reason why the profit or loss is more or lower in comparison to times in the past. In addition to this, it endeavours to investigate and investigate the influence that a variety of factors have on profit and profitability, and as a result, it assists management in developing future plans of action.

4. Fourthly, It does not present the information in a manner that is predetermined, as Financial Accounting does. It supplies the management with information in a manner that makes it possible for them to find the information more valuable.

5. Lastly, It does not make any decisions of its own but rather assists management in making decisions by providing the essential facts and information. Because of this, it is able to provide recommendations but is unable to make prescriptions.

Review of literature

(Accountants n.d.) studied Mgt accounting discovered that and Management Accounting is the presenting of accounting information to management in order to aid management in formulating policies and in carrying out their day-to-day operations. To put it another way, it enables management to carry out all of its responsibilities, such as planning, organising, staffing, directing, and controlling, more effectively. According to the definition provided by the Institute of Cost and Management Accountants in London, Management Accounting is the application of professional knowledge and skill in the preparation of accounting information in such a way as to assist management in the formulation of policies and in planning and control of the operation of the undertaking. This definition was provided by the Institute of Cost and Management Accountants in London. mostly preoccupied about the future: The practise of looking forward while adopting the recent past as a point of reference is known as planning. The procedure of management accounting is geared on determining the best course of action for the future via careful planning that takes into account analytical financial facts from the previous period. It takes into consideration the budgets to anticipate the future revenues and expenditures, as well as the movement of cash into and out of the organisation.

(Anon n.d.) studied management accounting discovered this and Accounting is the process of recording, classifying, summarising, analysing, and interpreting the financial transactions of a business for the benefit of management as well as those parties who have an interest in the business, such as shareholders, creditors, bankers, customers, employees, and the government. Accounting is performed for the benefit of management as well as those parties who have an interest in the business. As a result, it is concerned with components of the company's decision-making process as well as financial reporting. Accounting that focuses on management is what we mean when we talk about management accounting. The study of the managerial aspects of financial accounting, sometimes known as accounting in connection to management function, is the essence of managerial accounting. It is primarily designed to assist management in carrying out its responsibilities and in making a variety of choices, and this is the primary motivation for its creation. Therefore, the major responsibility of management accounting is to restructure the company's complete accounting system so that it can better meet the requirements of the business's operations. It provides concrete accounting information that may be utilised as a foundation for management action, whether it pertains to the past, the present, or the future. Because of the meticulous planning and organisation that went into their creation, the company's financial data have evolved into a decision-making resource unlike any other. As a result, the study of accounting information and the strategies that managers use in order to analyse it is included in Management Accounting.

(Caplan 2006) studied Management Accounting Concepts and Techniques discovered this and We are all confronted with the basic economic challenge of deciding how to distribute limited resources. This is a challenge that faces not just individual businesses but also national governments and our society as a whole. It is a challenge that everyone of us must overcome, both within our own families and as individuals. Institutions may be found in most parts of the globe, including the United States of America, which help in the process of allocating resources that are in short supply. One example of such an institution is the New York Stock Exchange; other examples include the London Stock Exchange, the Chicago Board of Trade, and every major stock, bond, and commodities market. These financial markets are very complex and seem to have effective mechanisms for routing resources from investors to those firms that the investors feel would employ those resources in the most profitable manner. Through the judgments they make about credit and lending, financial organisations such as banks and other lending institutions also distribute limited resources among businesses. The distribution of limited resources among the various parts of society is the responsibility of the government. They are responsible for the collection of taxes from businesses and people, as well as the distribution of resources toward the achievement of social and economic objectives.

(Malik 2013) studied management accounting: nature and scope discovered that both cost accounting and management accounting may be interpreted as management-oriented accounting. The study of the managerial element of financial accounting, sometimes known as accounting in connection to management function, is the essence of managerial accounting. It demonstrates how the accounting function might be reoriented in order to better fit within the framework of the activities associated with management. Therefore, the major responsibility of management accounting is to restructure the company's complete accounting system so that it can better meet the requirements of the business's operations. If it provides definitive accounting information, whether it be historical, current, or future, it may be used by management as a foundation for taking action. The financial statistics have been so meticulously prepared and meticulously developed that they have become an indispensable instrument for management decision making. (Maheshwari 2015) studied cost and management accounting discovered this and Information on the company's accounting practises is essential for any enterprise that wishes to cater to the requirements of a wide range of stakeholders". A reliable accounting system is very required if one wants to fulfil the requirements of all parties involved. The practise of accounting may be divided into three categories. i. accounting for financial statements ii. accounting for costs iii. accounting for management The primary objective of financial accounting is to compile an accurate record of all company transactions in the form of books of account, which will allow for the preparation of final accounts. The development of cost accounting was intended to assist the internal management in the process of decision making. Accounting for costs provides information that may be used as a management tool, enabling an organisation to make the most of its available resources and perform at its highest possible level. The managerial and organisational aspects of cost accounting are expanded upon in management accounting. It gives management the information they need to properly plan, organise, direct, and regulate the activities of the firm. This makes it possible for these tasks to be completed in an orderly way. Therefore, the aim of the lesson is to provide the student with the ability to comprehend the significance of cost and management accounting as well as the reasons for its existence. What are the many approaches and approaches to cost accounting that may be taken so that management can be given a variety of information for the purpose of decision making?

Conclusion

As we have seen, the topic of cost is a complicated one that extends well beyond the specific spending plan for any one project. The information must be tailored to the specific corporate division that it serves in order to accommodate the myriad of unique ways in which the various divisions of the company make use of cost data. Information about the various types of expenses that will be incurred by the project is vital for project managers to have when they are planning a project and, in particular, developing a budget for the project. This is because accurate budgeting depends on having this knowledge. In addition, it is helpful for project managers to have a grasp of the total cost at a given firm operating within a certain industry in order to develop budgets that take cost into the appropriate consideration and achieve winning outcomes.

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