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*Commentary*

## Accounting for management

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### INTRODUCTION

The word 'Management' means getting the work done through people for a common purpose. The basic functions of management are Decision making, Planning and Controlling and all these functions are possible only through proper flow of accounting information to the management.

Management accounting is a process of providing accounting information to the management which helps them to take proper decision, proper planning and establishing better control in the organization. Management needs various information, in order to cope up with the future changes or fluctuations. Management accounting produces right information related to past and present operation to the right people at the right time. Thus, it is concerned with giving accounting information for effective decision making to the management.

Management accounting furnishes various methods or approaches to solve managerial problems such as proper decision making, planning and controlling the business activity. It is dynamic and futuristic in nature. It is the value adding procedure that leads a manager in the smooth running of his organisation as well as in stimulating organisational behaviour in order to achieve organisational goals or objectives.

Management Accounting is considered to be the most progressive and vibrant in nature. It has evolved as a result of continuous demand from the 'Management Side' with regard to the data on an organization's conduct of business (Past and present), so that the forecasting on future trend may be made. It is a very powerful and reliable 'Decisions Support System' for the management. Substantial contribution may be added by an efficient system of 'Management Accountancy' prevailing in a company.

### NATURE OF MANAGEMENT ACCOUNTING

The nature of Management Accounting may be summarised as under: Providing Accounting Information: The basic responsibility of an 'Accounts Department' of any organisation is to record, collect and classify the data relating to the business transactions. Such information is redesigned by the management accounting functionaries and presented to the management in a form so as to enable them to make optimum utilisation thereof in Decision Making Process. Policy formulation, planning and budgeting and similar management functions.

Cause and effect analysis: This is one of the most important features of management accounting. Cause and effect of any activity in a business is subjected to a study under the Management Accounting. For example if the business suffered a loss in a particular year the reasons thereof are examined and similarly in case of huge profits, the reasons behind such profitability or business loss are studied and necessary actions, wherever needed, are taken.

Use of Special Techniques and Concepts: Various tools/ techniques used under the 'Management Accounting' are financial planning and analysis, standard costing, Budgetary control, Marginal costing, Project Appraisal, Control Accounting, etc. They are put to use as per the demand of the situation and timing.

Vital Decisions Making: Management Accounting furnishes the required inputs in the form of financial data to the management, which in turn becomes the basis for the management's Decision Making Process. The 'Historical Data' supplied by the 'Management Accountants' is further analysed by the management with a view to see its effect on future decision.

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