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Editorial

Brief note on management accounting

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EDITORIAL NOTE

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 the 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 organization as well as in stimulating organizational behavior in order to achieve organizational goals or objectives.

'Managerial 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.

Management accounting is a modern approach to accounting. Its tools facilitate the management of an organization in the process of decision making.

It is of immense help to the management in discharging its various functions in an effective manner. Management accounting includes the method and concepts necessary for effective planning, for choosing among alternative business actions and for control through the evaluation and interpretation of performance. Cause and effect analysis 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'. Management accounting furnishes the required inputs in the form of financial data to the management, which in turn becomes the basis for the management decision making process. Management accounting acts as a yardstick to measure the performance of a business enterprise. Various resources example capital manpower, raw material etc. is the backbone of any business organization. Their allocation in a prudent manner is of paramount importance, especially in cases where such resources are scarce, i.e. their availability is limited. Management accounting acts as a guiding factor in this regard, as it determined the quantum of different resources to be channeled departments, so that the corporate objective of maximization of profit is achieved.

Various kinds of risks are associated with the conduct of any business; avoiding risks altogether in carrying out a business are impossible. However, the level of risk may be managed by having a proper control over the risks and their efficient mitigation, with a view to ensuring that the business is exposed to bare the minimum risk and the objective of maximization of profit is also achieved. Management accounting is very helpful in assessing the risk element involved in any new project or in the normal business operations. Such assessment facilitates the decision making process by the management depending upon their policy regarding risk exposure.

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