

Unit two : principle of Managerial accounting.

1_ Introduction :

The principles of managerial accounting guide managers in using financial data effectively for planning, controlling and making decisions by focusing on relevance timeliness and cost-benefit analysis managerial accounting ensures that businesses operate efficiently and adapt to changing environment .

2_ Definition :

Managerial accounting is the branches of accounting that focuses on providing information to managers inside an organisation to help them : plan , control, and make decisions.

3_ principles of managerial accounting :

- Decision making orientation : reports must help managers make business decisions and focus on the future.(budgets , forecasts, projections) .
- Planning : help managers set goals and prepare budgets and provides cost estimates for new projects.
- control : compare actual results with planned results and identifies differences to improve efficiency.
- relevance over accuracy : information should be relevance and timely even if it is not perfectly precise , speed and usefulness are more important than strict accuracy
- Cost benefit principle : the value of information should outweigh the cost of preparing it .
- flexibility : reports and methods can be adapted to the need of different managers, no strict formats like financial statements .
- cause and effect principle : cost are traced to the activities, products , or Departments that cause them.

- confidentiality : managerial accounting reports are usually internal and confidential not shared with outsiders .

4_Objectives of managerial accounting :

- _ Provide useful information for desicion making .
- _To help managers in budgetting and planning future operations.
- _To assist in controlling coasts and resources .
- _To evaluate performance of Departments , products , or employees .
- _To guide in sitting strategies for profitability and growth.

5_Examples of managerialacounting :

- _Preparing a budget for the next year .
- _ Analysing wether to make or buy a component
- _ Identifying which product line is the most profitable.
- _ Monitoring departmental performance to reduce unnecessary coasts.