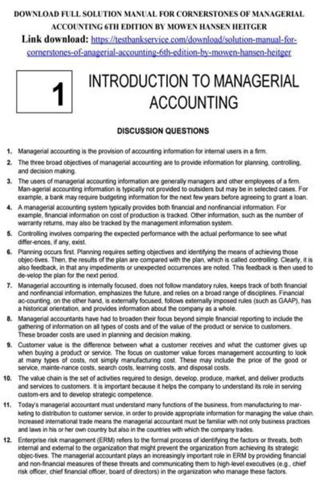

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1 INTRODUCTION TO MANAGERIAL ACCOUNTING

DISCUSSION QUESTIONS

1. Managerial accounting is the provision of accounting information for internal users in a firm.
2. The three broad objectives of managerial accounting are to provide information for planning, controlling, and decision making.
3. The users of managerial accounting information are generally managers and other employees of a firm. Man-agerial accounting information is typically not provided to outsiders but may be in selected cases. For example, a bank may require budgeting information for the next few years before agreeing to grant a loan.
4. A managerial accounting system typically provides both financial and nonfinancial information. For example, financial information on cost of production is tracked. Other information, such as the number of warranty returns, may also be tracked by the management information system.
5. Controlling involves comparing the expected performance with the actual performance to see what differ-ences, if any, exist.
6. Planning occurs first. Planning requires setting objectives and identifying the means of achieving those objec-tives. Then, the results of the plan are compared with the plan, which is called *controlling*. Clearly, it is also feedback, in that any impediments or unexpected occurrences are noted. This feedback is then used to de-velop the plan for the next period.
7. Managerial accounting is internally focused, does not follow mandatory rules, keeps track of both financial and nonfinancial information, emphasizes the future, and relies on a broad range of disciplines. Financial ac-counting, on the other hand, is externally focused, follows externally imposed rules (such as GAAP), has a historical orientation, and provides information about the company as a whole.
8. Managerial accountants have had to broaden their focus beyond simple financial reporting to include the gathering of information on all types of costs and of the value of the product or service to customers. These broader costs are used in planning and decision making.
9. Customer value is the difference between what a customer receives and what the customer gives up when buying a product or service. The focus on customer value forces management accounting to look at many types of costs, not simply manufacturing cost. These may include the price of the good or service, mainte-nance costs, search costs, learning costs, and disposal costs.
10. The value chain is the set of activities required to design, develop, produce, market, and deliver products and services to customers. It is important because it helps the company to understand its role in serving custom-ers and to develop strategic competence.
11. Today's managerial accountant must understand many functions of the business, from manufacturing to mar-keting to distribution to customer service, in order to provide appropriate information for managing the value chain. Increased international trade means the managerial accountant must be familiar with not only business practices and laws in his or her own country but also in the countries with which the company trades.
12. Enterprise risk management (ERM) refers to the formal process of identifying the factors or threats, both internal and external to the organization that might prevent the organization from achieving its strategic objec-tives. The managerial accountant plays an increasingly important role in ERM by providing financial and non-financial measures of these threats and communicating them to high-level executives (e.g., chief risk officer, chief financial officer, board of directors) in the organization who manage these factors.