

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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Management accounting plays a vital role in the manager

- (1) **Planning:** Planning is the real beginning of any activity. firm and decides the course of action to achieve it. I long-term plans to achieve a particular end. Planning it should be done and when it should be done. While various techniques such as budgeting, standard costin example, if a firm determines to achieve a particular target. What products are to be sold and at what price the data that helps managers to identify more profita to improve the existing profits by 25%? Management A achieve the goal.
- (2) **Organising:** Organising is a process of establishing the or responsibility to people working in the organization The organizational structure may not be the same in al while others may be decentralized structures. The man on product lines, based on which managers can decide line in the current product mix.
- (3) **Controlling:** Control is the process of monitoring, measurin results to ensure that a firm's goals and plans are ac of feedback. Feedback allows the managers to allow t take corrective action, by some rearranging or correc and control reports serve the function of controlling receive weekly or daily performance reports, comparin Significant variances can be isolated for corrective a are submitted, appraising the performance against the to the top management, following the principle of man control reports do not tell managers what to do. This is needed to help managers to determine the required
- (4) **Decision-making:** Decision-making is a process of choosing a Decision-making is inherent in all the above three fu and controlling. There may be different methods or ob only one of the competing plans. Similarly, in organ organizational structure should be centralized or dec decide whether variance is worthy to investigate or n
- (5) **Staffing:** Staffing is the process of recruitment, selectio and overseeing employee in an organisation. Staffing, duty which is vest on the management to perform. The this regard is manning the entity structure through p development of the personnel to fill the role assigned accountants have to reduce the labour turnover and to

1.5 FUNCTIONS OF MANAGEMENT ACCOUNTING

The primary objective of Management Accounting is to max through the presentation of statements in such a way tha policy or decision. The manner in which the Management management is described as follows:

- (1) **Storehouse of Reliable Data:** Management wants reliable data for PI Decision-making. Management accounting collects the d

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information for appropriate use, as and when needed. In statements, Management Accounting is not restricted to preparing a sales budget, the management accountant uses information from the financial records and makes projections based on figures and other reliable information to estimate that uses qualitative information, unlike financial accounting which modifies the data for the specific purpose.

(2) **Modification and Presentation of Data:** Data collected from financial statements is not readily understandable to the management. The management arranges it in such a way that it is useful to the manager. It can be classified according to product, geographical area, etc. taken by them for making decisions. Similarly, it can also be classified according to quality, quantity, and time taken. The accountant modifies the data according to the requirements of the specific issue to be resolved.

(3) **Communication and Coordination:** Targets are communicated to the different departments for their achievement. Coordination among the different departments of the organisation. The targets and performances of different departments are compared to increase the efficiency and the profitability of the firm. Variance analysis is done to attract the attention of the concerned departments to exercise control.

(4) **Financial Analysis and Interpretation:** Management accounting helps in providing information to top managerial executives who may lack technical knowledge. There are always alternatives to produce. There is always a choice for managers. The accountant gives facts and figures about monetary terms. He interprets the data and gives his advice so that it becomes easier for the management to take decisions.

(5) **Control:** It is absolutely essential that there should be control over all divisions and departments so that deviations without delay are corrected. This is the function of 'control'. To facilitate the discharge of this important function, management accounting is done in a systematic and effective manner. However, the manager should not consider the accountant as a controller of their performance. They should understand their own role as controllers. The accountant really assists the managers in achieving their goals, as effectively.

(6) **Supplying Information to Various Levels of Management:** Every level of management requires information for decision-making and policy execution. Leaving day-to-day decisions to lower management, at proper time, increases efficiency. Information related to both internal and external factors is provided to different levels to take decisions. Decisions include cost control, production, marketing, etc.

(7) **Reporting to Management:** Reporting is an important function to achieve the targets. The

reports are presented in the techniques so as to make them easily understandable. and half-yearly. These reports are helpful in giving