

FUNCTIONS OF MANAGEMENT ACCOUNTING

Management accounting is a part of accounting. It has developed out of the need for making more and more use of accounting for taking managerial decisions. Management accounting is assigned the functions of classifying presenting and interpreting data in such a way that it helps management in controlling and running the enterprise in an efficient and economical manner. Management accounting is a specialized branch of accounting that focuses on providing financial and non-financial information to support the management and decision-making processes within an organization. The primary functions of management accounting are as follows:



PLANNING AND FORECASTING

Management fixes various targets to be achieved by the business in near future. Planning and forecasting are essential for achieving business objectives. One of the important functions of the management accounting is to help management in planning for short-term and long term periods and also in making forecasts for the future. Management accountants use various

techniques such as budgeting, standard costing, marginal costing, fund flow statements, probability and trend ratios, etc. for fixing targets. These techniques are useful in planning various activities. So management accounting tools are useful in planning and forecasting.

MODIFICATION OF DATA

Management accounting helps in modifying accounting data. The information is modified in such a way that it becomes useful for the management. If sales data is required, it can be classified according to product, area, season-wise, type of customers and time taken for getting payments, etc. Similarly, if production figures are needed, these can be classified according to product, quality, time taken by the manufacturing processes, rate of production, etc. The modification of data in similar groups makes the data more understandable and useful. Management accountant classifies and modifies information according to the requirements of the management.

FINANCIAL ANALYSIS AND INTERPRETATION

Management accountant undertakes the job of presenting financial data in a simplified way. Financial data is generally collected and presented in a technical way. Top managerial executives may lack technical knowledge. Management accountant analyses and interprets financial data in a simple way and presents it in a non-technical language. He gives facts and figures about various policies and evaluates them in monetary terms. He gives his opinion about various alternative courses of action so that it becomes easy for the management to take a decision.

FACILITATES MANAGERIAL CONTROL

Management accounting is very useful in controlling performance. All accounting efforts are directed towards control of the enterprise. The standards of various departments and individuals are set-up. The actual performance is recorded and deviations are calculated. It enables the management to assess the performance of everyone in the organisation. Performance evaluation is possible through standard costing and budgetary control which are an integral part of management accounting.

COMMUNICATION

Management accounting establishes communication within the organisation and with the outside world. The management accountant prepares reports for the benefit of different levels of management and employees. The activities of the concern, are communicated to outsiders such as bankers, investors, creditors, government agencies, etc. The filing of various tax returns is also entrusted to the accountant.

USE OF QUALITATIVE INFORMATION

The field of management accounting is not restricted to the use of monetary data only. It collects and uses qualitative information also. While preparing a production budget, management accountant may not only use past production figures, but he may rely on the assessment of persons dealing with production, productivity reports, consumer surveys and many other business documents. The use of qualitative information is as helpful as monetary information. Management can assess various aspects of a plan before finalising it.

CO-ORDINATING

The co-ordination among different departments is essential for smooth running of the concern. Management accountant acts as a co-ordinator among different financial departments through budgeting and financial reports. The targets and performances of different departments are communicated to them from time to time. It helps to increase the efficiency of various sections thereby increasing profitability of the concern.

HELPFUL IN TAKING STRATEGIC DECISIONS

Management accounting helps in taking strategic decisions. It supplies analytical information regarding various alternatives and the choice of management is made easy. These decisions may be regarding seasonal or temporary stoppage of production, replacement decisions, expansion or diversification of works and a correct decision is taken.

SUPPLYING INFORMATION TO VARIOUS LEVELS OF MANAGEMENT

Every management level needs accounting information for decisions making and policy execution. Top management takes broader decisions and leaves day-to-day decisions for the lower levels of management. Management accountant feeds information to different levels of management so that further decisions are taken. The supply of adequate information at the proper time will increase efficiency of the management.

CONCLUSION

In conclusion, management accounting serves as a vital tool in the modern business landscape, enabling organizations to navigate the complexities of financial management and decision-making effectively. Its multifaceted functions, including planning, budgeting, cost control, performance measurement, and decision support, empower management teams to steer their organizations toward success.

By providing insightful analysis, facilitating resource allocation, and ensuring compliance and ethical conduct, management accountants contribute significantly to an organization's growth and sustainability. Moreover, their role extends beyond financial matters to encompass strategic planning, risk management, and continuous improvement, reflecting the dynamic nature of modern business environments.

In a world characterized by constant change and evolving challenges, management accounting remains an indispensable discipline that empowers organizations to adapt, thrive, and make well-informed choices. Its commitment to sound financial practices and the pursuit of strategic goals underscores its enduring relevance in the realm of effective management and corporate success.