COVER PAGE AND DECLARATION

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Managerial Accounting

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1.1: Introduction:

This study focuses on the impact of management accounting. In particular, it aims to analyse how studies in the field of management accounting have progressed, up to now, with regard to the issue at stake and, at the same time, to suggest some possible avenues which could inform future. On the one hand, the paper strives to contribute to existing literature by systematising what has already been studied with regard to impact. On the other hand, it aims to stimulate reflections on how to enhance further that could lead to narrowing the gap with other disciplines in which studies on the impact of scientific have achieved a higher level of advancement This study focuses on the impact of management accounting . In particular, it aims to analyse how studies in the field of management accounting have progressed, up to now, with regard to the issue at stake and, at the same time, to suggest some possible avenues which could inform future. On the one hand, the study strives to contribute to existing literature by systematising what has already been studied with regard to impact. On the other hand, it aims to stimulate reflections on how to enhance further research that could lead to narrowing the gap with other disciplines in which studies on the impact of scientific have achieved a higher level of advancement This study focuses on the impact of management accounting .

Definition:

IFAC Definition of enterprise financial management concerning three broad areas: cost accounting; performance evaluation and analysis; planning and decision support. Managerial accounting is associated with higher value, more predictive information. Copyright July 2009, International Federation of Accountants [1].

One simple definition of management accounting is the provision of financial and non-financial decision-making information to managers. In other other words, Management accounting helps directors inside an organization to make decisions. This can also be known as cost accounting. This is the way toward distinguishing, examining, deciphering and imparting data to supervisors to help accomplish business goals. The information gathered includes all fields accounting that educates the administration regarding business tasks identifying with the financial expenses and decisions made by the organization. Accountants use plans to measure the overall strategy of operations within the organization[2].

According to the Institute of Management Accountants (IMA): "Management accounting is a profession that involves partnering in management decision making, devising planning and performance management systems, and providing expertise in financial reporting and control to assist management in the formulation and implementation of an organization's strategy” [3].

Management accountants (also called managerial accountants) look at the events that happen in and around a business while considering the needs of the business. From this, data and estimates emerge. Cost accounting is the process of translating these estimates and data into knowledge that will ultimately be used to guide decision-making.

The Chartered Institute of Management Accountants (CIMA), the largest management accounting institute with over 100,000 members describes "Management accounting as analysing information to advise business strategy and drive sustainable business success[3].

Importance of Managerial Accounting:

The main objective of managerial accounting is to assist the management of a company in efficiently performing its functions: planning, organizing, directing, and controlling. Management accounting helps with these functions in the following ways[4]:

1. **Provides Data:** It serves as a vital source of data for planning. The historical data captured by managerial accounting shows the growth of the business, which is useful in forecasting.
2. **Analyzes Data:** The accounting data is presented in a meaningful way by calculating ratios and projecting trends. This information is then analysed for planning and decision-making. For example, you can categorise purchase of different items period-wise, supplier-wise and territory wise.
3. **Aids meaningful Discussions:** Management accounting can be used as a means of communicating a course of action throughout the organization. In the initial stages, it depicts the organisational feasibility and consistency of

various segments of a plan. Later, it tells about the progress of the plans and the roles of different parties to implement it.

4. **Helps in Achieving Goals:** It helps convert organizational strategies and objectives into feasible business goals. These goals can be achieved by imposing budget control and standard costing, which are integral parts of management accounting.
5. **Uses Qualitative Information:** Management accounting does not restrict itself to quantitative information for decision-making. It takes into account qualitative information which cannot be measured in terms of money. Industry cycles, strength of research and development are some of the examples qualitative information that a business can collect using special surveys.

Scope of managerial accounting

The main objective of managerial accounting is to maximize profit and minimize losses. It is concerned with the presentation of data to predict inconsistencies in finances that help managers make important decisions. Its scope is quite vast and includes several business operations. The following points discuss what management accounting can do to make a business run better(5).

1. Managerial accounting is a rearrangement of information on financial statements and depends on it for making decisions. So the management cannot enforce the managerial decisions without referring to a concrete financial accounting system.
2. What you can infer from financial accounting is limited to numerical results like profit and loss, but in management accounting you can discuss the cause and effect relationships behind those results.
3. Managerial accounting uses easy-to-understand techniques such as standard costing, marginal costing, project appraisal, and control accounting.
4. Using historical data as a reference, the management observes the current information to check the impacts of business decisions.
5. Management can use this type of accounting to set objectives, format plans to meet them, and compare the performance of various departments.
6. Managerial accounting is used for forecasting. It concentrates on supplying information that would ease the effect of a problem rather than arriving at a final solution.

Techniques in Managerial Accounting

In order to achieve business goals, managerial accounting uses a number of different techniques[6]:

- **Marginal analysis:** This assesses profits against various types of costs. It primarily deals with the benefits of increased production. It involves calculating the break-even point, which requires knowing the contribution margin on the company's sales mix. Here, sales mix is the proportion of a product that a business has sold when compared to the total sales of that business. This is used to determine the unit volume for which the business' gross sales are equal to total expenditures. This value is used by managerial accountants to determine the price points for various products.
- **Constraint analysis:** Managerial accounting monitors the constraints on profits and cash flow with respect to a product. It analyzes the principal bottlenecks and the problems they cause, and calculates their impact on revenue, profit, and cash flow.
- **Capital budgeting:** This is an analysis of information in order to make decisions related to capital expenditures. In this analysis, the managerial accountants calculate the net present value and internal rate of return to help managers with capital budgeting decisions like calculating payback period or calculating accounting rate of return.
- **Inventory valuation and product costing**: This deals with determining the actual cost of goods and services. The process generally involves computing the overhead charges and assessment of direct costs associated with cost of goods sold.
- **Trend analysis and forecasting:** This primarily deals with variations in product costs. The resulting data is helpful in identifying unusual patterns and finding efficient ways to identify and resolve the underlying issues.

Limitations of Managerial Accounting:

Managerial accounting may define the pace and process of development of an organisation yet it has its set of drawbacks. By now, we know that the information to make managerial decisions is dependent on financial statements. Due to this, the strength or weakness of accounting decisions made depends solely on the quality of basic records. Meanwhile, different managers may interpret the same information in different ways depending on their capacity and experience in the field. That way there might be bias in decision-making process(4).

A managerial accounting system is more suitable for bigger enterprises which are at the peak of growth. This is possible because the company can afford the price of installing a system in place and even hire professionals to make the best of it to prevent the company from future meltdowns.

Role within a corporation:

Consistent with other roles in modern corporations, management accountants have a dual reporting relationship. As a strategic partner and provider of decision based financial and operational information, management accountants are responsible for managing the business team and at the same time having to report relationships and responsibilities to the corporation's finance organization and finance of an organization.

The activities management accountants provide inclusive of forecasting and planning, performing variance analysis, reviewing and monitoring costs inherent in the business are ones that have dual accountability to both finance and the business team. Examples of tasks where accountability may be more meaningful to the business management team vs. the corporate finance department are the development of new product costing, operations research, business driver metrics, sales management scorecarding, and client profitability analysis. (See financial planning.) Conversely, the preparation of certain financial reports, reconciliations of the financial data to source systems, risk and regulatory reporting will be more useful to the corporate finance team as they are charged with aggregating certain financial information from all segments of the corporation(6).

In corporations that derive much of their profits from the information economy, such as banks, publishing houses, telecommunications companies and defence contractors, IT costs are a significant source of uncontrollable spending, which in size is often the greatest corporate cost after total compensation costs and property related costs. A function of management accounting in such organizations is to work closely with the IT department to provide IT cost transparency.

Given the above, one view of the progression of the accounting and finance career path is that financial accounting is a stepping stone to management accounting. Consistent with the notion of value creation, management accountants help drive the success of the business while strict financial accounting is more of a compliance and historical endeavor.

Scope, practice, and application:

Management accounting principles and Decision theory

The Association of International Certified Professional Accountants (AICPA) states that management accounting as practice extends to the following three areas:

Strategic management - advancing the role of the management accountant as a strategic partner in the organization Performance management -developing the practice of business decision-making and managing the performance of the organization Risk management- contributing to frameworks and practices for identifying, measuring, managing and reporting risks to the achievement of the objectives of the organization[7].

The Institute of Certified Management Accountants (CMA) states, "A management accountant applies his or her professional knowledge and skill in the preparation and presentation of financial and other decision oriented information in such a way as to assist management in the formulation of policies and in the planning and control of the operation undertaking".

Management accountants are seen as the "value-creators" amongst the accountants. They are more concerned with forward-looking and taking decisions that will affect the future of the organization, than in the historical recording and compliance (score keeping) aspects of the profession. Management accounting knowledge and experience can be obtained from varied fields and functions within an organization, such as information management, treasury, efficiency auditing, marketing, valuation, pricing, and logistics. In 2014 CIMA created the Global Management Accounting Principles (GMAPs) The result of research from across 20 countries in five continents, the principles aim to guide best practice in the discipline.

Resources and continuous learning:

There are a variety of ways to keep current and continue to build one's knowledge base in the field of management accounting. Certified Management Accountants (CMAs) are required to achieve continuing education hours every year, similar to a Certified Public Accountant. A company may also have research and training materials available for use in a corporate owned library. This is more common in Fortune 500 companies who have the resources to fund this type of training medium[8].

There are also journals, online articles and blogs available. The journal Cost Management (ISSN 1092-8057) and the Institute of Management Accounting (IMA) site are sources which include Management Accounting Quarterly and Strategic Finance publications.

Tasks and Services Provided:

Listed below are the primary tasks/services performed by management accountants. The degree of complexity relative to these activities are dependent on the experience level and abilities of any one individual.

- Rate and volume analysis.
- Business metrics development.
- Price modeling.
- Product profitability.
- Geographic vs. industry or client segment reporting.
- Sales management scorecards.
- Cost analysis.
- Cost–benefit analysis.
- Cost-volume-profit analysis.
- Life cycle cost analysis.
- Client profitability analysis.
- IT cost transparency.
- Capital budgeting.
- Buy vs. lease analysis.
- Strategic planning.

- Strategic management advice.
- Internal financial presentation and communication.
- Sales forecasting.
- Financial forecasting.
- Annual budgeting.
- Cost allocation.

The Impact of Management Accounting :

The literature review presented here has shown that both the advent of a gap between theory and practice and the fact that it is the main cause of the loss of relevance of management accounting are widely acknowledged by researchers. In addition, the extant literature has shed light on and deeply analysed the causes which may have generated the abovementioned gap, showing that they can be traced back to different variables that range from the way researchers write their papers and select topics to external pressures which come from governments and evaluation agencies. Moreover, there appears to be a taken-for-granted assumption of the existence of a gap, and the literature has analysed its determinants in an attempt to find and put forward some possible solutions. Actually, what seems to be lacking and should be the object of future studies is what comes before and after the acknowledgement of the existence of a gap between theory and practice and of the consequent loss of relevance which results from it(4).

Much is needed to clearly define what constitutes "impact" in the field of management accounting. As previously stated, while scholars have spotlighted the loss of relevance, or impact, of management accounting , they have not provided a clear picture of how impact should be understood in the field of management accounting . This could be interpreted as a redundant question. Actually, it has relevant implications. First, from a theoretical and a practical standpoint, the contribution that management accounting can give to society can strengthen its perceived relevance both within and beyond the academic arena. Literature has emphasised that disciplines in the field of the Social Sciences and Humanities are less prone to be considered "relevant" or "impactful" because their contribution to society is not "tangible" or "immediate".

For this reason, enhancing the theoretical and empirical debate on the way the "impact" of management accounting should and could be understood, interpreted, and operationalised can be of utmost importance in order to diffuse the idea that management accounting can actually be useful to society. In other words, it could contribute to a reconsideration of the role that management accounting can play in generating public value. Second, shedding light on the nature of the impact of management accounting can be important to promote its assessment, as it will be discussed later. The lack of contributions on the nature of the impact of management accounting makes the identification of indicators aimed to assess it more complex because there is no clear idea of the main dimensions in which the impact of management accounting can be defined. This can partially explain the reasons why, until now, heavy emphasis has been placed on the antecedents, i.e., the determinants, of the loss of impact, while scarce attention has been paid to its assessment. In light of all the above, a relevant avenue of should entail a deep and epistemological analysis of the multifaceted nature of the impact of management accounting and of the different ways in which it can be operationalised.

In carrying out on what constitutes "impact" in the field of management accounting, the practitioners/professionals' standpoint merits priority consideration. This is beginning to be evident in academic literature as recent studies have highlighted how practitioners who have taken part in REF have been the object of analysis to understand their expectations as well as the criteria they have adopted to assess the impact of In this perspective, comparative studies between what constitutes impact for academics and for practitioners should be stimulated not only to allow differences to emerge, but also to provide useful insights for those studies which will try to define how "impact" should be understood in the field of management accounting. Shifting from the perspective of academics to that of practitioners would also facilitate efforts to analyse - from an empirical standpoint - the causes underlying the gap between theory and practice. In other words, it could be important to contribute empirically to the existing literature on the causes underlying the loss of relevance of management accounting , showing which factors, among those identified by the literature, have a stronger influence and identifying new ones which could be the object of future analysis.

Another interesting avenue of concerns the analysis of the effects that the co-production of knowledge can have on the impact of management accounting . Drawing on the literature on “productive interactions” impact can be achieved if the knowledge production process is based on the interaction between academics and practitioners[9].

Although the literature in the field of management accounting has emphasised that practitioners should be taken into consideration as the main addressees of research and that this could influence the nature of the issues which are analysed by management accounting , there is a lack of research on the consequences which can derive thereof, in terms of impact, if research is carried out through what literature calls direct, indirect, or financial interactions between academics and society. In this view, society is not seen as the mere addressee of but as one of the main actors which takes part in the knowledge creation process. Exploring how the different kinds of productive interactions can influence the impact of management accounting can be useful not only from an academic perspective but also from a practical standpoint. In fact, it could foster the adoption of those interactive practices which have proven to be able to enhance the impact of management accounting research. Moreover, comparative analysis should be carried out to ascertain whether studies which have adopted a co-operative approach to are actually perceived as more useful by practitioners, that is to say, if they are understood as more impactful by the end users.

Future analysis should also focus on the assessment of the impact of management accounting Although the loss of relevance has been widely debated, literature has primarily focused attention on its causes, up to now.

In other words, while the antecedents of the loss of relevance have been questioned and possible solutions have been suggested, there is a lack of studies on the assessment of the impact of management accounting.

This is different from what happens in other fields where there is significant pressure to measure the actual impact of scientific research or to assess progress to that end. The literature has deeply emphasised that the impact of Social Sciences and Humanities research is difficult to assess (Bastow et al., 2014). Despite this, something more should be done to identify indicators and to apply them in the context of management accounting This would be useful not only to prove that the abovementioned loss of relevance is not a mere perception but also to shed light on the actual magnitude of the gap between theory and practice in the field of management accounting. There would be noteworthy practical implications as well, because an accurate assessment of the impact of management accounting should drive the identification of suitable solutions aimed at making studies more relevant and, consequently, at bridging the gap between theory and practice [(9)].

future studies could try to extend their adoption in the field of management accounting. This would be useful to assess the extent to which management accounting studies are diffused outside of academia and to approximate their ability to influence society. Moreover, this could represent a starting point for carrying out new research focused on the comparison between indicators used to assess the diffusion of research within the boundaries of academia, like bibliometric indicators, and those adopted to measure its influence beyond academia, like altmetrics. This has already been done in other fields of research but the results do not seem to be completely convergent. Carrying out the abovementioned analysis in the field of management accounting research could be important to show the extent to which academic and social relevance are aligned and, in particular, whether the achievement of a high level of relevance from an academic standpoint can strengthen the diffusion of a research product outside of academic boundaries and vice versa.

Conclusion:

Although management accounting literature has paid growing attention to this issue, it must be underscored that the analysis has mainly focused on the causes which are at the basis of the loss of relevance. In line with this, removing these causes or trying to limit their negative effects has often been seen as a way to increase the impact of management accounting research. Despite this, only limited progress have been made towards providing a clear definition of what "impact" means in the field of management accounting, what dimensions constitute it, what means or strategies could be adopted to increase it, how it can be assessed, and what relationships can be found between the social and the academic impact. These represent new and highly relevant avenues of research which should be explored to enhance knowledge on the impact of management accounting research and to contribute to filling the abovementioned gap. Moreover, shedding light on the issues would not only further the advancement of knowledge on the impact of management accounting research but would also foster an alignment with other disciplines, especially those, like medicine or engineering, in which the assessment of the impact of scientific research has become both a relevant issue from a theoretical standpoint and a useful tool in practice.

Management accounting helps in analysing and recording financial information which can be used by a company to increase its efficiency and productivity. It presents the financial information in regular intervals using easy-to-understand techniques such as standard costing, marginal costing, project appraisal, and control accounting. However, the information required to make managerial decisions depends completely on financial statements. Hence it becomes important to maintain error free records. Besides several disadvantages, it acts as a useful tool for better management of business.

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