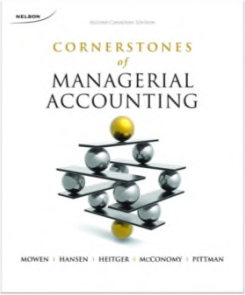


NETA POWERPOINT PRESENTATIONS TO ACCOMPANY

CORNERSTONES OF MANAGERIAL ACCOUNTING
Second Canadian Edition

BY MOWEN/HANSEN/HEITGER/MCCONOMY/PITTMAN


Adapted by Ramesh Saxena




Copyright © 2015 by Nelson Education Ltd. 1

CHAPTER 1

Introduction to Managerial Accounting




Copyright © 2015 by Nelson Education Ltd. 2

 **Learning Objectives**

After studying this chapter, you should be able to:

1. Explain the meaning of managerial accounting.
2. Explain the difference between managerial and financial accounting.
3. Identify and explain the current focus of managerial accounting.

Copyright © 2015 by Nelson Education Ltd. 3

 **Learning Objectives**

After studying this chapter, you should be able to:

4. Describe the role of managerial accountants in an organization.
5. Explain the importance of ethical behaviour for managers and managerial accountants.
6. Identify three accounting designations available in Canada.

Copyright © 2015 by Nelson Education Ltd. 4

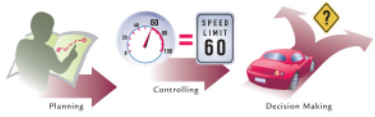
Managerial Accounting Defined

- Provides accounting information for a company's internal users
- Not bound by GAAP or IFRS
- Designed to provide information for;
 - Planning the organization's actions
 - Controlling the organization's actions
 - Making effective decisions.

Copyright © 2015 by Nelson Education Ltd. 5

Management Accounting — Three Broad Objectives

(EXHIBIT 1.1) Uses of Managerial Accounting Information



Copyright © 2015 by Nelson Education Ltd. 6

Differences Between Managerial and Financial Accounting

	Financial Accounting	Management Accounting
Target Users	External users	Internal users
Restrictions	Must follow externally imposed guidelines	Not required to follow any guidelines

Copyright © 2015 by Nelson Education Ltd. 7

Differences Between Managerial and Financial Accounting

	Financial Accounting	Management Accounting
Type of Information	Produces objective and verifiable financial information	Includes historical events, but focuses on future events
Degree of Aggregation	Overall firm performance	Performance of entities, product lines, departments, and managers

Copyright © 2015 by Nelson Education Ltd. 8

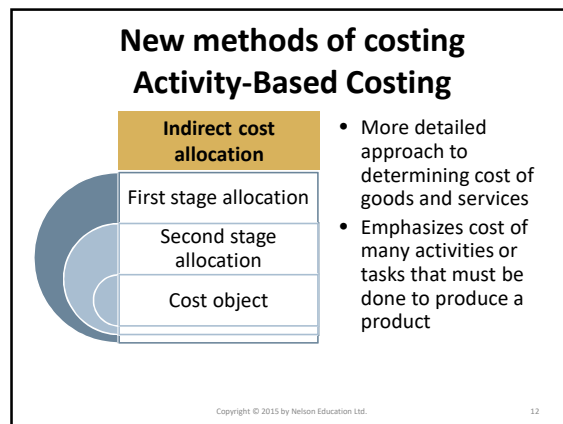
Differences Between Managerial and Financial Accounting

	Financial Accounting	Management Accounting
Breadth	Self-contained	Multiple disciplines: managerial economics, industrial engineering, management science, etc.
Time Orientation	Reports on historical events	Includes historical events, but focuses on future events

Copyright © 2015 by Nelson Education Ltd. 9

- ### Accounting System
- Needs to be flexible enough to provide both financial and managerial accounting information
 - The key point here is flexibility—the system should be able to supply different information for different purposes.
- Copyright © 2015 by Nelson Education Ltd. 10

- ### Current Focus of Managerial Accounting
- Changes in technology, transportation, and communication have resulted in a new focus;
 - New methods of costing products and services such as activity-based costing
 - Understanding customer orientation
 - Evaluation from a cross-functional perspective
 - Improving total quality management
 - Emphasis of time as a competitive element
 - Improving efficiency
 - Service and Not-for-profit organizations.
- Copyright © 2015 by Nelson Education Ltd. 11



Customer Orientation

- Advantage comes when company can create better customer value

Customer Value	=	What Customer Receives	-	What Customer Gives Up
----------------	---	------------------------	---	------------------------

Customer Orientation Increasing Customer Value

Two strategies:

1. Cost leadership
2. Superior products through differentiation

Value Chain



Cross-Functional Perspective

- Allows management to see the big picture and increase quality, reduce time, and improve efficiency.
- A decision affecting one function affects the others.
- A management accountant must understand many functions of the business to manage the value chain.

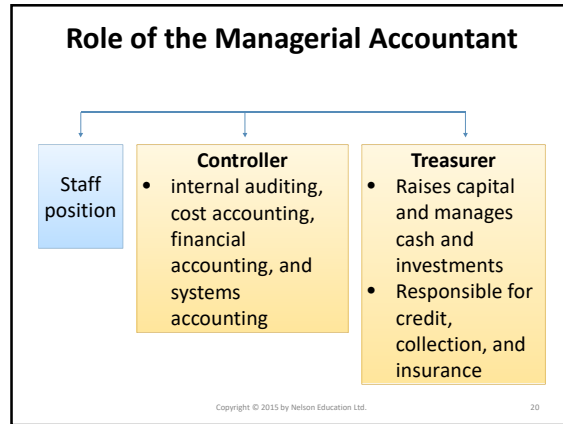
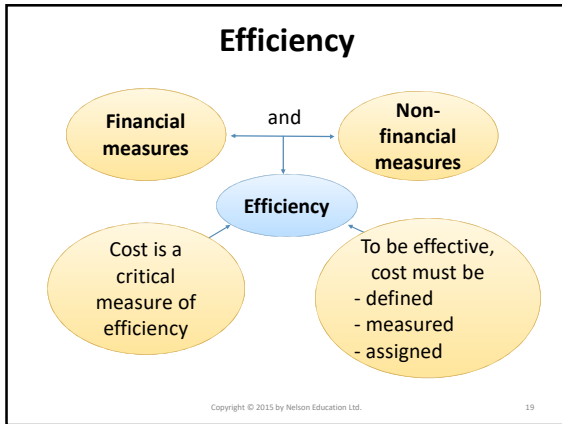


Total Quality Management

- “Acceptable quality” attitude is unacceptable
- Philosophy of perfect products (zero defects)
- Management accounting must provide both financial and nonfinancial information about quality.
- Continuous improvement is fundamental

Time as a Competitive Element

- Time is crucial in all phases of the value chain.
- Companies try to eliminate non-value-added time.
- Managers must respond quickly and decisively to changing market conditions.



- ### Ethical Conduct
- 10 Core Values***
1. Honesty
 2. Integrity
 3. Promise keeping
 4. Fidelity
 5. Fairness
 6. Caring for others
 7. Respect for others
 8. Responsible citizenship
 9. Pursuit of excellence
 10. Accountability
- Choosing actions
that are right,
proper, and just.
- Copyright © 2015 by Nelson Education Ltd. 21

- ### Service and Not-for-Profit Firms
- Management accounting was primarily developed for manufacturing firms.
 - However, management accounting concepts have evolved over the years and today apply to all types of organizations, including service and not-for-profit organizations.
- Copyright © 2015 by Nelson Education Ltd. 22

- ### Accounting Designations in Canada
- The accounting profession relies on certification
 - to provide evidence that the holder has achieved a minimum level of professional competence, and
 - to promote and enforce ethical behaviour.
- Copyright © 2015 by Nelson Education Ltd. 23

- ### Accounting Designations in Canada
- Three accounting designations are currently available in Canada
 - Certified Management Accountant (CMA)
 - Chartered Accountant (CA)
 - Certified General Accountant (CGA)
 - Recently, these three designations have merged into Certified Professional Accountant (CPA)
- Copyright © 2015 by Nelson Education Ltd. 24

Amalgamation of Accounting Designations

- Canada is currently undergoing a major restructuring of the professional bodies for the certification and regulation of professional accountants.
- On January 4, 2013, CPA Canada was formed to be the body that will bring together all three professional accounting groups across Canada.
- New members will all receive the Chartered Professional Accountant (CPA) designation, but will have specific skills and capabilities as formerly developed by the individual groups.

Copyright © 2015 by Nelson Education Ltd.

25

Amalgamation of Accounting Designations

- Members of each group at the time of amalgamation will use both the CPA designation and the one they previously held for a period of ten years.
- The primary reason for amalgamation is to ensure that Canadian professional accountants have a strong voice in the international community.
- This has become increasingly important as globalization has become the norm for many companies in both their production operations and their marketing.

Copyright © 2015 by Nelson Education Ltd.

26