

## Accounting Research Paper

## **Executive Summary**

The research paper highlights the benefits of managerial accounting enjoyed by the managers. It also underlines the importance of the experimental researches that are conducted by different researchers to identify the importance of managerial accounting in the world of management. It also provides information regarding the structure of the entire managerial accounting system which makes it possible to recognize the purpose of the research area. The paper also elaborates on the facts owing to which the managers, accountants and auditors find managerial accounting to be useful while performing their roles in the management world. So, the structure formed by the managerial accounting is used to integrate, organize and evaluate the existing managerial accounting researches. Thus, a new avenue for the future experiments in managerial accounting research is proposed through the paper.

The paper seeks to elaborate three objectives which will serve as the primary interests of the research. The first objective is to establish the role of research in evaluating the area of managerial accounting. The second objective is to highlight the evaluation and synthesis of the extent of managerial accounting. The final objective of the paper is to discuss the future of managerial accounting which provides with the area of improvement in the particular area.

## **Introduction**

Managerial accounting, also known as the management accounting, elaborates the use and provisions of accounting information that are required by the managers, accountants and auditors in an organization. It helps them to take necessary decisions regarding any issue arising in the organization. It also assists them to get acquainted with the management control functions which prevent them from taking any wrong decision which may harm the operations of the company. It chooses a forward looking approach which predicts the future from the past performance of the company. It is not based on the historical models that obstruct the management decisions when implemented. It is solely designed to help the management to take the necessary decisions and is not disclosed to the shareholders or the creditors. Naturally, it is highly confidential.

Managerial accounting thus helps an individual in an organization or the organization as whole to take right decisions in the areas where concern is needed. It is important to study the roles of managerial accounting which will affect the behavior of the individuals who build the organization. The organizations repeatedly make judgments and decisions regarding the amount and kind of information which are supplied to employees and based on the given information, the employees proceed to judge and decide (Coombs, Hobbs and Jenkins 4).

### **1. Area of Interest**

The selected research area seems interesting because it identifies the main framework of the financial system in an organization. Finance being the main backbone of any organization, it is a very crucial area of concern. With an established financial system, an organization can identify whether the financial resources are well managed and organized in its different

departments. The over and under utilization of resources are also identified in the true sense. Managerial accounting is a part of this whole financial system. It is interesting to know the basics of the huge system which contributes to the financial improvement of the organization. The types of information that are needed for management accounting system are provided by the day to day operation of the business (Boyns and Edwards 29).

## **2. Benefits to the managers**

Managerial accounting increases the value of an organization by certifying the efficiency and the effective use of the scarce resources which also include the financial resources. Thus, it provides with information that are important for improving the abilities of the employees. The managers are able to evaluate the performances of the employees and take important decisions which are necessary for the improvement of their morals. They are encouraged to achieve their as well as the organizational goal (Hoque 67).

The managerial accounting systems aim at aligning the interest of the employees with the owners by directing them to give their full attention and effort towards the achievement of their goals. The activities that benefit the organization also highlight their performance on the whole. The information that is provided by the managerial accounting to the managers is as follows:

- 1) Provides with necessary information that are important for managerial decision making and planning.
- 2) It provides information about the individual which motivates them (Zimmerman 4).

Thus, it can be stated that the two abovementioned functions are the decision facilitating roles of the management that influences the operation of the entire organization.

Thus, it is important to study the functions of managerial accounting information along with their influence on the behavior of individuals who constitute the organizations. It helps the managers to take relevant decisions which are appropriate for the continuation of the business operations. The managers can repeatedly judge and make resolutions about the type and amount of information that are supplied to the employees. The employees in turn design their own decision and process of work based on that information. However, there are evidences provided by the agency model and other economic behavior models which indicate that the decisions and judgments of both the owners and the employees are not necessarily of high quality. Thus, the managerial accounting system is required to measure the quality of the decisions and judgments that are taken by both the groups of individuals in an organization. It also highlights the determinants of the quality of decisions and reports regarding the efficiency of each factor that is involved in the process of evaluation.

### **3. Benefits to the organization as a whole**

The study also provides important information to the organization as a whole. The study highlights the cost and benefits of managerial accounting practices. It provides information which is related to important decision making within the organization. Apart from providing information regarding the operation of the organization, it also motivates the employees. It helps the organization to take decisions associated with changes or modification of the managerial accounting principles which will help in motivating the employees to a greater extent. The researchers provide a base for this information which is needed by the organization. It helps in eradicating the discrepancies between the interest of the employee and owner. It also assists the organization to mitigate the agency problems which arises due to moral hazards and poor selection of the employees (Coombs, Hobbs and Jenkins 4).

The study also highlights the evidences that are put forward by the agency theory about the moral and ethical principles along with the economic incentives. It determines the social motives and values of the individual towards the informal information system of the organization. It also compares the behavior of the individual in compliance with the formal procedures of governance to check whether the employees are performing their best to meet the goals and expectations of the organization.

#### **4. Management accounting relating to decision making and relevant information**

Decision making can be defined as the fundamental part of the management. Decision can be defined as the steps taken by an individual after gathering significant ideas from different sources (Clarke 49). Management accounting can be related to decision making in the following ways:

- 1) **Relevance to Cost Analysis:** The managerial accounting information is used by the management of the company for determining the decision making process. An owner of a small business remains unsure of where exactly to invest his efforts in his business. It is difficult for him to realize the department which needs his most effort, for instance, marketing. In order to make this decision, an accounting manager needs to scrutinize the costs which are important for advertising and its alternatives and in turn ignore other costs.
- 2) **Make or Buy Analysis:** The main use of managerial accounting information is to provide an estimate to the manufacturing department. The owner of the small business can take decisions regarding whether to buy or build the components that are required for manufacturing primary products of the company. After a successful completion of the make or buy analysis based on the managerial accounting information, the owner can evaluate the option which would

be more profitable for the company and which would not. This technique can be used as a factor for decision making (Coombs, Hobbs and Jenkins 4).

3) **Utilization of the data:** Managerial accounting information provide with the data which identifies the growth of a business. It signifies whether the company would make a positive growth in future or slack down in the market. The balance scorecard and projection of financial statement provides information regarding the future of the company. It puts emphasis on each and every day-to-day transaction. Relying on this data, the managers are able to make decisions aiming at the incessant improvement of the company. It is also justifiable after relating it to the intelligent analysis of the data provided by the company (Sawyers, Jenkins and Jackson 35).

## **5. Questions regarding the views of Sprinkle and Williamson**

Geoffrey Sprinkle and Michael Williamson (Sprinkle and Williamson 2006) in their work have elaborated few facts regarding the usefulness of managerial accounting in the daily functioning of the management. However, few questions arise regarding its usefulness. The research questions that come to one's mind after going through Geoffrey Sprinkle and Michael Williamson's work are the following:

- 1) Whether the management accounting principles are stringent enough for identifying fraud in the financial statements.
- 2) Whether the principles are followed by every accountant properly so as to eradicate errors in the main calculation of the financial statements.
- 3) Whether the management accounting principles within the organization comply with that of the General Accepted Accounting Principles (GAAP) (Sawyers, Jenkins and Jackson 35).

The above questions are important for evaluating the purpose of the management accounting principles. Thus, it is important for accountants or professionals to maintain the standard of the principles that are applied in the organization to avoid any kind of uncertainties. Any uncertainty can bring in a huge loss to the organization.

### **Conclusion**

Thus, it can be stated that managerial accounting plays important role in the world of management. It helps the managers as well as the whole organization to take the right decision. It also helps in rectifying and modifying few areas in the management system by focusing on the management practices. Thus, it can be concluded that the efficient use of management accounting is the key to success for every organization.



## Works cited

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