International Journal of Management, Sciences, Innovation, and Technology

Research Casestudy

Vol.1, Issue.1, pp.01-03, December (2020) **ISSN:** 0000-0000

Management Accounting Principles

Sami Ramon

[1*]Academic Researcher

[*]*Corresponding Author:* e-mail: *sami.ramon15@gmail.com*, *Tel.: +0012062514711*

Available online at: www.ijmsit.com

Received: 12 July 2020 Revised: 19 Oct., 2020 Accepted: 29 Nov, 2020

***Abstract*—** The principles of managerial accounting have been developed to meet the basic needs of internal management to improve decision support objectives, internal business processes, resource application, customer value and utilization of necessary capacity to achieve the company's objectives in an optimal way. Before 1929, no group, public or private, issued or was responsible for accounting policies. After the 1929 stock market crash, an appeal was needed to regain public and investor confidence, and the Securities and Exchange Act of 1934 was passed, which resulted in the US Securities and Exchange Commission oversight of public companies that laid the foundation for generally accepted accounting principles (USA), which sets out general accounting principles for external reporting standards for users of government information. Financial institutions such as capital markets and creditors. This paper dedicated to the importance of accounting principles.

***Keywords*—** Accounting; Accounting Principles; Style; Management Accounting Principles.

I. Introduction

Over the next 47 years, individual committees, professional associations, and councils issued various financial accounting procedural frameworks, until work began in 1976 on an American framework that remains in force today and is managed by the Standards Board of Financial Accounting. .

Note: Since April 1, 2001, the International Accounting Standards Board has been working on the development of new international accounting standards. The new protocols, known as International Financial Reporting Standards, aim to update and refine existing concepts and provide theoretical guidelines that include comparisons between reporting requirements between IFRS and US GAAP. Reflecting changes in markets, business practices, and the economic environment over the past two decades or more. This is where the concepts were developed.

In contrast, the principles of management accounting have been neglected, both conceptually and standardistically, and have largely been hidden from the principles of financial accounting. Common accounting principles apply only to financial accounting because it was the only guideline they had or did not know what else to do at the time.

Until recently, the accounting profession did not take seriously the conceptual differences between the use of management accounting techniques to support GAAP financial reporting and management accounting techniques to support internal decision making. This affects the practice of management accounting and the ability of management accountants to provide managers with relevant information to support and streamline their decisions. However, a number of innovative thinkers, exemplified in the timeline below, have recognized the value of managerial accounting with its own set of principles.

II. Importance and AIMs

Management accounting for the use of the organization should reflect the reality in financial terms of the actions and resources used by the organization. In contrast to financial reporting, which focuses on external investors and creditors interested in comparing investment options in the capital markets, managerial accounting focuses on options and financial constraints within a company. There are two related parties that understand why corporate accounting principles are so important and how these principles help managers achieve their primary goal: business optimization.

The first main part deals with the actual modeling of a company's business activity, in which the managerial accountant builds and establishs causal relationships on the basis of the principle of causality and perceptions related to management accounting. The second part contains the principle of analogy and the analytical needs of the manager for the information that supports the decisions given in the first part (his causal relationship to the result). The second part requires analyzing the information in light of one or more decision alternatives so that the decision makers can make the optimal decision. The cumulative application of the two principles (causality and analogy) achieves the goals of management accounting and meets the needs of managers: business optimization, commonly referred to as business optimization.

III. Development

The growth of management accounting and its methods, as detailed in Management Accounting: Management Approaches, Techniques and Processes, reminds that management accountants, even without guiding principles, are not satisfied with the quality of their managerial accounting information. . This separation is clearly documented in studies such as the 2003 Ernst & Young LLP Corporate Accounting Survey. Under the auspices of IMA and the 2012 Alta Via, SAP and IMA Management Accounting Survey: a follow-up survey on duplication and longitudinal comparison.

The confusion and frustration of pursuing a master's degree took over in part because accountants were trying to achieve two very different goals in one information system. Compliance requirements for financial reporting (GAAP) as well as requirements for analyzing management cost decisions. In addition, auditors, accountants, and managers who want to improve their operations or solve internal cost issues have found that choosing different calculation methods each uses different mapping techniques and yields significantly different results. Finally, the lack of a conceptual framework and basic principles, which did not exist before, for calculating the cost of supporting an internal decision.

Conflicting theories and practices do not convey confidence or truth in the optimization of an entity. The core principles are designed to guide the classification of approaches, tools, and processes, thus enabling accountants and managers to evaluate the tools and approaches they can use in obtaining costs or activities. The principles are used to better understand the risks and diversions involved in a practice or method when they deviate from the causal and parallel principles.

IV. Value

The effect on value is estimated. Management accounting links the company processes to its core business model and requires an in-depth understanding of the broader macroeconomic atmosphere. It includes evaluating information on the way to value creation, evaluating potential opportunities as well as focusing on risks, costs and potential value creation from opportunities.

Analysis of the situation increases the accuracy of the examination of organizational decisions. By using situational models to assess the impact of specific opportunities and challenges, organizations can make better decisions about whether to end or take advantage of them. In addition, the models allow companies to quantify the likelihood that an opportunity will succeed or create risk and the value to be generated or eroded..

V. Credibility of Management Accounting

The administration gives credibility. Responsibility and control help make much more useful decisions. Managing short-term business interests versus long-term shareholder value improves trust and credibility. Management accounting professionals are known as ethical, responsible and aware of organizational ideals, governance requirements and interpersonal duties.

Recognizing inconsistent interests promotes stakeholder management and is also a vital factor in prioritizing stakeholder units. The proactive pursuit of feedback and being open to inquiries or negative feedback allows for the vigilance of people who have a legitimate interest in the overall output of society. It increases the credibility, reputation and authenticity of the company and has a positive effect on strengthening the processes and authorities..

VI. Control

Costs are best controlled where they arise: original accounting control. Individual employee performance, details of significant problems and use and services in services such as machinery, energy, repair and maintenance, vehicles, etc. They are complex in the form of quantitative and qualitative information. This allows you to take control of the people, materials and devices that provide the services.

It cannot be said that a profit will be made if the capital does not remain intact in real terms. This means that the monetary value is not stable. Therefore, it is necessary to estimate the capital value brought by the owners of the company in terms of actual monetary value through revaluation accounting. In this way, the rate of inflation is taken into account to gauge the true success of the company.

Overhead costs are covered in advance. Overhead costs are a combination of indirect materials, indirect labor and indirect costs. Therefore, the methods chosen for absorbing overhead costs should produce the desired results in the most fair way.

Available resources must be used efficiently. This is because some resources are only available in abundance for one reason and other resources are scarce all year round. The management accounting system must therefore ensure the correct use of available resources.

Due to the cost control capability, the costs are divided into two types, i.e. controllable and uncontrollable. There is no point in taking measures to control uncontrolled costs. Therefore, the management accounting system can provide controllable cost control techniques..

VII. Other Factors

Management accounting takes into account the needs of decision makers and therefore promotes adaptable communication to decision makers' styles, processes used, or public financial literacy.

Strong and in-depth discussion among decision makers can eventually remove any silo. This means that only the most relevant information can be accessed and analyzed, which in turn makes management accounting influential.

Information-based decision-making provides a 360-degree overview of the company's past performance, current location and a glimpse into the future. Any thought, discussion or report must always be based on specific, reliable and transparent sources that ensure impact on the company.

In order for corporate accounting to provide influential insights, the information must first be relevant. But to what extent?

Many think that historical data does not provide real information. However, if we can know what worked well and what did not work well in the past, this old creation still exists. Information is only relevant if it contains things like sunk costs or compromises.

Management Accounting analyzes the best resources available to extract only the most relevant information that fits well with the current context and sort and filter it to prepare it for analysis.

Relevant information (as defined in the standard above) is used to develop models of scenarios for analyzing the effects of opportunities and risks and their effects on business results. These scenarios represent the compromises between the individual actions. The assessment of the scenarios requires an in-depth understanding of the business model and the macroeconomic aspects in general.

The logic derived from scenario models can be used for accounting management and preference-based operations rather than costs so that stakeholders can justify their goals and needs. The results of the analysis enable decision makers to make quality decisions in order to take advantage of or reduce opportunities or risks.

Trust is the foundation of any relationship; Plays an even more important role in the business world. Management accountants are reliable, ethical and transparent employees. You have the power to influence the decision of a stakeholder.

Ensuring that all business activities and decisions comply with local law and the Code of Conduct for Accounting is a top priority for the Chief Accounting Professional. By ensuring the integrity and morality of all business activities, you will be better able to protect company values, governance requirements and social responsibility..

VIII. Results

It is obvious that Management Accounting Principles are extremely important for business nowadays, and should be seen with clear and obvious stats.

IX. References

1. https://accountlearning.com/principles-management-accounting/
2. https://blog.trginternational.com/global-management-accounting-principles-explained-in-800-words
3. https://en.wikipedia.org/wiki/Management_accounting_principles

Authors Profile

Sami Ramon is an academic researcher with a Master of Business Administration. He has a specalization of General Management.

