

Section - 1.

7. Management accounting is a system of collection and presentation of relevant economic information relating to an enterprise for planning, controlling and decision making.

Nature of Management Accounting

(i) Technique of selective nature.

Management accounting is a technique of selective nature. It takes into consideration only that data from the income statement and position statement which is relevant and useful to the management.

(ii)

Provides data and not the decisions. The management accountants is not taking any decision by provides data which is helpful to the management in decision making. It can inform but cannot prescribe. Much depends on the efficiency and wisdom of management for utilizing the information provided by the management accountants.

(iii) concerned with future, management accounting, unlike the financial accounting, deals with the forecast with the future. It helps in planning the future, because decisions are always taken for the future course of action.

(iv) Analysis of different variables:- management accounting helps in analysing the reasons as to why the profit or loss is more or less as compared to the past period. More over, it tries to analyse the effect of different variables on the profits and profitability of the concern.

(v) No set format for information.

Management accounting will not provide information in a prescribed proforma like that of financial accounting. It provides the information to the management in the form which may be more useful to the management in taking various decision on the various aspects of the business.

Scope of Management Accounting

The scope of management accounting is very wide and broad-based. It includes all information which is provided to the management for financial analysis and interpretation of the business operation.

- ① Financial Accounting
- ② Cost Accounting
- ③ Budgeting and forecasting
- ④ Cost control procedures
- ⑤ Reporting
- ⑥ Methods and procedures
- ⑦ Tax Accounting
- ⑧ Internal financial control.
- ⑨ Interpretation