

MANAGEMENT ACCOUNTING

B. Com Hons Part - III

TOPIC - Scope of Management
Accounting

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Scope of Management Accounting

① Financial Accounting :-

It is very useful for future planning and financial forecasting. It provides only tools and techniques and it gets the data for interpretation and analysis mainly from financial accounting. Without efficient financial accounting system, management accounting cannot be operative.

② Cost Accounting :-

It provides techniques for determining cost of manufacturing products. It is considered as the backbone of management accounting as it provides the analytical tools such as Budgetary control, standard costing, marginal costing, inventory control, operating costing etc.

③ Financial Management :-

It deals with the raising funds and their effective utilisation. Its aim is to use funds in such a way that the earning of the firm is maximised. Today finance has become the life blood of any business concern.

④ Financial Statement Analysis :-

Through financial statement analysis various users concerned with the financial statements

may need information.

- ⑤ **Interpretation of Data :-**
Interpretation of data gives an idea about the financial and earning position of the concern. If the statements are not properly interpreted then wrong conclusions may be drawn. He (mgt. accountant) interprets various financial statements to the management.
- ⑥ **Quantitative technique :-**
The techniques such as time series, regression analysis and sampling techniques are commonly used for this purpose.
- ⑦ **Inventory Control :-**
The management determine different levels of stocks i.e. minimum stock level, maximum stock level, re-ordering level, danger level etc for inventory control. Management will need effective inventory control for controlling stocks.
- ⑧ **Tax Accounting :-**
tax planning is an important part of mgt. Taxation plays an important role in the profitability of a commercial concern.