Managerial accounting in the area of corporate responsibility

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Managerial Accounting

Managerial accounting is the process of **Identifying, Measuring, Analyzing, Interpreting and Communicating** information for the pursuit of an organization's goals.

Managerial accountants

Perform a series of tasks to ensure their company’s financial security, handling essentially all financial matters and thus helping to drive the business’s overall management and strategy.

Accounting principles

- Monetary unit assumption- Measured in US Dollars.
- Time period assumption- 5 months between each other.
- Economic entity assumption- The company transactions must be separated form the business owners personal transactions.

GAAP (America)

GAAP is a combination of authoritative standards (set by policy boards) and the commonly accepted ways of recording and reporting accounting information.

IFRS- International financial Reporting Standards (Europe)

IFRS are a set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements.

Here in Slovakia

Slovakia follow the IFPS Standards in the following documents:

- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flow

Difference between IFRS and GAAP

1. IFRS is not as strict on defining revenue and allow companies to report revenue sooner, so consequently, a balance sheet under this system might show a higher stream of revenue than GAAP's.
2. IFRS also has different requirements for expenses.
3. The way inventory is accounted for, first in first out (FIFO) and last in first out (LIFO)

Traditional accounting and financial reporting systems were not designed to collect and report information about social and environmental performance, in part because many of these measures are non-monetary, and accounting systems traditionally relied on the monetary-unit as the common denominator in which to measure economic activities and transactions.

Methods

Balanced scorecard

- Communicate what they are trying to accomplish
- Align the day-to-day work that everyone is doing with strategy
- Prioritize projects, products, and services
- Measure and monitor progress towards strategic targets

Triple bottom line

The balanced scorecard is a management tool. By contrast, the triple-bottom-line is an external reporting tool designed for shareholders and other financial statement users. The triple-bottom-line reports periodic (quarterly or annual) information about the company's performance along environmental and social dimensions, as well as the usual information about the company's economic performance. Reporting under the triple-bottom-line is divided into three components: Economic, Social and environmental.

Environmental Management Accounting

EMA is a cover title used to describe different aspects of this burgeoning field of accounting. The focus of EMA is as a management accounting tool used to make internal business decisions, especially for proactive environmental management activities. EMA was developed to recognize some limitations of conventional management accounting approaches to environmental costs, consequences, and impacts. For example, overhead accounts were the destination of many environmental costs in the past. Cost allocations were inaccurate and could not be traced back to processes, products, or process lines. Wasted raw materials were also inaccurately accounted for during production.

Example

Activity-based costing may be used to ascertain more accurately the costs of washing towels at a gym. The energy used to power the washing machine is an environmental cost; the cost driver is ‘washing’.

Once the costs have been identified and information accumulated on how many customers are using the gym, it may actually be established that some customers are using more than one towel on a single visit to the gym. The gym could drive forward change by informing customers that they need to pay for a second towel if they need one. Given that this approach will be seen as ‘environmentally-friendly’, most customers would not argue with its introduction. Nor would most of them want to pay for the cost of a second towel. The costs to be saved by the company from this new policy would include both the energy savings from having to run fewer washing machines all the time and the staff costs of those people collecting the towels and operating the machines. Presumably, since the towels are being washed less frequently, they will need to be replaced by new ones less often as well.

Thanks

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